EXHIBIT 6

XPO Logistics, Inc | NYSE: XPO

INVESTMENT RESEARCH REPORT

"Trucking Ridiculous; End of the Road"

RECOMMENDATION: *Strong Sell*

SPRUCE POINT
CAPITAL MANAGEMENT

Full Legal Disclaimer

This research presentation expresses our research opinions. You should assume that as of the publication date of any presentation, report or letter, Spruce Point Capital Management LLC (possibly along with or through our members, partners, affiliates, employees, and/or consultants) along with our subscribers and clients has a short position in all stocks (and are long/short combinations of puts and calls on the stock) covered herein, including without limitation The XPO Logistics, Inc. ("XPO"), and therefore stand to realize significant gains in the event that the price of its stock declines. Following publication of any presentation, report or letter, we intend to continue transacting in the securities covered therein, and we may be long, short, or neutral at any time hereafter regardless of our initial recommendation. All expressions of opinion are subject to change without notice, and Spruce Point Capital Management does not undertake to update this report or any information contained herein. Spruce Point Capital Management, subscribers and/or consultants shall have no obligation to inform any investor or viewer of this report about their historical, current, and future trading activities.

This research presentation expresses our research opinions, which we have based upon interpretation of certain facts and observations, all of which are based upon publicly available information, and all of which are set out in this research presentation. Any investment involves substantial risks, including complete loss of capital. Any forecasts or estimates are for illustrative purpose only and should not be taken as limitations of the maximum possible loss or gain. Any information contained in this report may include forward looking statements, expectations, pro forma analyses, estimates, and projections. You should assume these types of statements, expectations, pro forma analyses, estimates, and projections may turn out to be incorrect for reasons beyond Spruce Point Capital Management LLC's control. This is not investment or accounting advice nor should it be construed as such. Use of Spruce Point Capital Management LLC's research is at your own risk. You should do your own research and due diligence, with assistance from professional financial, legal and tax experts, before making any investment decision with respect to securities covered herein. All figures assumed to be in US Dollars, unless specified otherwise.

To the best of our ability and belief, as of the date hereof, all information contained herein is accurate and reliable and does not omit to state material facts necessary to make the statements herein not misleading, and all information has been obtained from public sources we believe to be accurate and reliable, and who are not insiders or connected persons of the stock covered herein or who may otherwise owe any fiduciary duty or duty of confidentiality to the issuer, or to any other person or entity that was breached by the transmission of information to Spruce Point Capital Management LLC. However, Spruce Point Capital Management LLC recognizes that there may be non-public information in the possession of XPO or other insiders of XPO that has not been publicly disclosed by XPO. Therefore, such information contained herein is presented "as is," without warranty of any kind – whether express or implied. Spruce Point Capital Management LLC makes no other representations, express or implied, as to the accuracy, timeliness, or completeness of any such information or with regard to the results to be obtained from its use.

This report's estimated fundamental value only represents a best efforts estimate of the potential fundamental valuation of a specific security, and is not expressed as, or implied as, assessments of the quality of a security, a summary of past performance, or an actionable investment strategy for an investor. This is not an offer to sell or a solicitation of an offer to buy any security, nor shall any security be offered or sold to any person, in any jurisdiction in which such offer would be unlawful under the securities laws of such jurisdiction. Spruce Point Capital Management LLC is not registered as an investment advisor, broker/dealer, or accounting firm.

All rights reserved. This document may not be reproduced or disseminated in whole or in part without the prior written consent of Spruce Point Capital Management LLC.

SPRUCE POINT CAPITAL MANAGEMENT

Spruce Point's Activist Success Identifying Problematic Roll-Up Strategies

Spruce Point Capital Is An Industry Recognized Research Activist Investment Firm Founded In 2009

- Founded by Ben Axler, a former investment banker with 18 years experience on Wall Street
- Ranked the #1 Short-Seller by Sumzero after a comprehensive study of 12,000 analyst recommendations dating to 2008 (March 2015)
- Ranked the #13 Most Influential FinTweeter on Twitter according to Sentieo (Dec 2016)

Spruce Point's Activist Successes Identifying Problematic Roll-Up Acquisition Strategies

	Echo Global Logistics (Nasdaq: ECHO)	CECO Environmental (Nasdaq: CECE)	LKQ Corp (Nasdaq: LKQ)	AMTEK (NYSE: AME)
Report	9/8/16	2/13/17	1/15/14 (Prescience Point)*	11/14/14
Market Cap	$820 million	$430 million	$10.1 billion	$12.3 billion
Company Promotion	An effective roll-up acquirer in the third party logistics sector capable of extracting significant operating leverage and $200-$300m of revenue synergies from the Command Transportation deal	An effective roll-up acquirer serving the environmental, energy, fluid handling and filtration industrial segments. Its largest PMFG acquisition would be a success and allow for rapid delivering of its balance sheet, and renewed organic growth opportunities	Best of breed recycled auto part distributor capable of effecting a roll-up strategy and producing consistent double digit revenue and EPS growth	Best of breed roll-up in the test and measurement equipment space with world class EBITDA margins and an ability to never miss Wall St estimates through any economic cycle
Our Criticism	Echo's management team has a history of value destruction, its roll-up strategy was ineffective, its organic growth was approaching zero, and its GAAP/Non-GAAP accounting was signaling financial strain. We argued it paid a peak multiple for Command and would miss its synergy targets. We estimated 50%-60% downside risk	A poorly constructed roll-up, we argued CECO was forestalling a goodwill impairment, its cash flow would fall significantly in 2017, and it could come under covenant pressure. CECO was misportraying its true leverage, while its end markets were contracting. We estimated downside risk of 30%-60%	An ineffective roll-up by a management team with a history of financial failure (Waste Management / Discovery Zone). LKQ is caught in a gross margin squeeze being masked by relentless acquisitions, and aggressive inventory accounting open to significant mgmt judgement. Its move to Europe is an implicit acknowledgement of waning domestic growth	We argued AMETEK was not creating any value by delivering zero organic growth and that its financial statements showed signs of strain with aggressive accounting. We believed its premium valuation multiple could not be sustained as the quality of its acquisitions deteriorated
Successful Outcome	In Q2'17 ECHO cut its FY17 revenue outlook and suspended longer-term guidance given changes in its end market and failure to hit synergy targets with Command. ECHO Sell-side brokers downgraded their recommendations from Buy to Hold. ECHO's shares fell to a 52 week low of $13, or nearly 50%	CECO took a goodwill charge in Q4'16 as predicted, suspended its dividend, and changed its financial leverage presentation in its investors presentation - implicitly acknowledging our criticism. Q2'17 results were below expectations, it admitted continuing challenges in its end markets, and its YTD operating cash flow evaporated. CECO's shares were downgraded, and shares fell >40%	Gross margins have declined from over 47% to 39%. The Company's successive acquisitions in Europe and domestically have failed to boost its share price. LKQ's multiples have contracted significantly. Its CFO was replaced in Feb 2015 and its CEO stepped down in March 2017. Shares are down 22% since report inception.	By early 2016, AMETEK began guiding down sales and earnings expectations for multiple quarters. Its CEO and CFO abruptly retired. Its share price fell nearly 20% from our initial report date

Past performance is no guarantee of future performance. Short-selling involves a high degree of risk, including the risk of infinite loss potential. Please see Full Legal Disclaimer at the front of the presentation.

** Report produced by Prescience Point of which Spruce Point's founder was a contributing author*

Executive Summary

Proprietary and Confidential –May Not Be Distributed or Copied Without Spruce Point Capital Management, LLC Consent

SPRUCE POINT
CAPITAL MANAGEMENT

Spruce Point Estimates 40% – 60% Intermediate Downside Risk, 100% Long-Term Downside

Spruce Point has been following XPO Logistics (NYSE: XPO) for years, a transportation and logistics roll-up founded by Bradley Jacobs, co-founder of United Rentals (URI) which collapsed in an accounting scandal during his leadership. Based on our forensic investigation, we believe XPO appears to be executing a similar playbook to URI - resulting in financial irregularities that conveniently cover its growing financial strain and inability to complete additional acquisitions despite promises. Given its unreliable and dubious financials, $4.7 bn debt burden, inability to generate sustaining free cash flow, and dependency on external capital and asset sales, we have a worst-case terminal price target of zero.

A Value Destructive Roll-Up, Covering Financial Strain and Dependent On Financing For Survival

XPO has completed 17 acquisitions since Jacobs took control in 2011 and deployed $6.1 billion of capital. Yet by our calculations, the Company has generated $73m of cumulative adjusted free cash flow in an expansionary economic period. In our view, this is indicative of a failed business strategy yielding a paltry 1.2% return on invested capital. XPO is dependent on external capital, asset sales, and factoring receivables to survive and is covering up a working capital crunch that can been seen by bank overdrafts - just like Maxar Technologies (MAXR). As credit conditions tighten, cost of capital increases, and XPO's business practices come under greater scrutiny (eg. U.S. Senate), its share price could swiftly collapse in Enron-style fashion.

Insider's Undisclosed Association With Convicted Felons And A Massive Ponzi Scheme

CEO Jacobs has surrounded himself with a web of associates from his United Waste Systems and United Rentals days. Two of his partners, Mike Nolan and John Milne, were convicted of accounting fraud. XPO's director G.C. Andersen recently employed Milne at his financial advisory firm during a time the company worked on private placements (potentially XPO's deals) and was sanctioned by FINRA. This wasn't disclosed to investors. XPO's audit committee director, Adrian Kingshott, has omitted from his bio his role in the distribution of note securities in the $700m Marc Drier Ponzi scheme.

Dubious Financial Presentation And Aggressive Accounting

In our opinion, XPO has used a nearly identical playbook from United Rentals leading up to its SEC investigation, executive felony convictions, and share price collapse. We find concrete evidence to suggest dubious tax accounting, under-reporting of bad debts, phantom income through unaccountable M&A earn-out labilities, and aggressive amortization assumptions: all designed to portray glowing "Non-GAAP" results. Additionally, we provide evidence that its "organic revenue growth" cannot be relied upon, its free cash flow does not reflect its fragile financial condition, and numerous headwinds will pressure earnings.

Ridiculous Compensation Scheme To Line Insiders' Pockets

XPO insiders have aggressively reduced their ownership interest in the Company since coming public, and recently enacted a new compensation structure tied to "Adjusted Cash Flow Per Share" - defined in such a non-standard way that it is practically meaningless. Conveniently, it ignores any measure of capital efficiency, which is critical in the capital intensive transportation industry, and would expose XPO's poorly constructed roll-up. In our opinion, the Board is stacked with rubber-stamping Jacobs loyalists, none of which have requisite experience in the transportation and logistics industry. As noted above, the Board includes an audit committee member who abetted a notorious $700m Ponzi scheme.

An Epic Wall St Stock Promotion That Can End In Tears: Intermedia Target: 30%-60% Downside Long-Term Target: $0

XPO has recruited 19 brokers to cover it, with only 1 "Sell" opinion and an avg. fantasy price target of $114 (implying 90% upside). No analyst has conducted a forensic look at XPO's earnings quality, or revealed its Board and management's connections to convicted felons. XPO promotes itself to investors as a "technology" company and how it uses "robots" for warehouse automation, but ignores its growing financial strain, precarious $4.7 billion debt load, and inability to hit its cash flow target. Warren Buffett famously said, *"Only when the tide rolls out do you know who as been swimming naked"* – words of wisdom for XPO shareholders. A crisis of confidence in management and a loss of access to capital could wipe out shareholders. In the interim, we see 40% - 60% downside risk as the market reassess XPO's earnings quality, outlook, and sum-of-parts multiple.

Case: 2:17-cv-00719-SDM-KAJ Doc #: 234-6 Filed: 12/02/21 Page: 7 of 69 PAGEID #: 3943

Spruce Point's Honest Opinion of XPO's Investment Prospects

XPO's CEO Bradley Jacobs has lectured in the past about honesty. Our report will stress test XPO's financial statements and accounting to see if they give an honest view of its financial performance and outlook.

Source: Automotive Logistics 2016, CEO Jacobs' Presentation

Spruce Point Capital Management

A Careful Look At XPO's CEO Jacobs And His Business Associates Raises Multiple Red Flags

XPO's CEO Brad Jacobs Known Business Associates Include Two Convicted Felons, A Director Whose Firm Was Just Sanctioned By FINRA, And An Audit Committee Director With A Role Promoting A $700M+ Ponzi Scheme

Jacobs Related Company	John Milne	Michael Nolan	G.C. Andersen	Adrian Kingshott	Jason Papastavrou / Oren Shaffer	Troy Cooper	Chris Brown
United Rentals (URI)	• Founder • Chief Acquisition Officer • CFO (2003-2005)	• CFO since inception through 2002	• His firm's website says he was instrumental in the growth of United Waste Systems and United Rentals • Served on UWS Board	• Former Goldman Sachs MD during a period it did business with URI	Jason P: • Director since 2005 • Currently on the Audit Committee	• VP and Group Controller 1997-2009	• United Rentals, VP and Assistant Controller 2005-2014
United Waste Systems (UWS)	• Vice Chairman and Chief Acquisition Officer (1993-1997)	• CFO since inception				• Division Controller 1996-1997	
XPO Logistics (XPO)			• Director (2011-16)	• Audit Committee Member	• Jason P: Past Audit Committee Chair • Oren: Current Audit Committee Chair	• XPO President • COO 2014-2018 • SVP of Operations 2011-2014	• VP of Financial Reporting and Technical Accounting
Terex Corp	• Terex aided and abetted the fraudulent accounting by URI for two year-end transactions that were undertaken to allow URI to meet its earnings forecasts. These fraudulent transactions also allowed Terex to prematurely recognize revenue from its sales to URI		• Joined the Terex Board in 1992 • Lead Director: 2006-2015 • Mysteriously left the Board in 2017		• Oren: Joined the Board in 2007 and sits on the Audit Committee and Chair of the Comp Committee		
Serious Concern / Association With Financial Disaster	• Convicted Felon and architect of the URI / Terex fraud • Recently worked on private placement transactions for G.C. Andersen, and sent back to jail in April 2018 for not paying restitution despite having the capacity to pay	• Convicted Felon and co-conspirator in the URI / Terex accounting fraud	• Recently left XPO's Board during a period that coincided with an undisclosed FINRA sanction of his firm • Hired felon John Milne to work on private placement transactions, during a period that XPO was in the market	• Undisclosed involvement in the $700m+ Marc Drier Ponzi Scheme • Kingshott was an agent selling Drier's notes and court documents suggest he was aware and should have known it was a Ponzi scheme	• Jason served on the URI Board while Jacobs was Chairman • XPO says he is independent • Oren is currently 75 years old, does he have a mandatory retirement age?	• Long-time Jacobs associate who worked at defunct auditor Arthur Andersen (1991-1993)	• Xerox, Corporate Finance Manager 2002-2005 • KPMG Senior Manager, Assurance 1995-2002 • SEC Charges KPMG $22M To Settle SEC Litigation Relating To Xerox Audits from 1997-2000

SPRUCE POINT CAPITAL MANAGEMENT

Capital Structure And Valuation

XPO is more expensive than it appears given its highly "adjusted" Non-GAAP results, and analysts' inability to correctly account for the 10.2m shares that are freely convertible from the Series A Convertible Preferred stock (market value = $615m). Our report will detail XPO's aggressive tactics to bolster reported Adjusted EBITDA and EPS, and will argue that XPO trades at a premium to the sum-of-the-parts of its acquisitions despite no evidence it has created tangible financial value from its levered (junk) acquisition spree.

$ in millions, except per share figures

	Street	Spruce Point	
Stock Price (12/12/18)	$60.33	$60.33	
Diluted Shares Outstanding	136.6	146.8	(1)
Market Capitalization	**$8,241.1**	**$8,856.4**	
$697m ABL facility due Oct 2021 (L+margin)	$0.0	$0.0	
Term Loan, L+2.50 due Oct 2025 (4.23%)	$1,503.0	$1,503.0	
$408m European Trade Securitization due Oct 2020 (1.11%)	$364.5	$364.5	
Capital Leases	$266.8	$266.8	
Total Secured Debt Outstanding	**$2,134.3**	**$2,134.3**	
4.000% Euro Private Placement, due 2020	$13.9	$13.9	
6.500% Senior Notes, due 2022	$1,200.0	$1,200.0	
6.125% Senior Notes, due 2023	$535.0	$535.0	
6.700% Senior Debentures, due 2034	$300.0	$300.0	
Asset financing (Euribor based)	$51.5	$51.5	
Total Unsecured Debt	**$2,100.4**	**$2,100.4**	
Operating Leases	$0.0	$1,978.5	(2)
Total Debt Outstanding	**$4,234.7**	**$6,213.2**	
Plus: Noncontrolling Interest and Preferred Stock	$449.3	$469.9	(3)
Less: Cash and Equivalents	$427.9	$427.9	(4)
Total Enterprise Value	**$12,497.2**	**$15,111.6**	

	Street Valuation		Spruce Point Adj	
Valuation	**2018E**	**2019E**	**2018E**	**2019E**
EV / Sales	0.7x	0.7x	0.9x	N/A
EV / Adj. EBITDA(R)	7.9x	7.0x	7.4x	N/A
Price / Adj. EPS	18.1x	14.6x	34.2x	N/A
Growth and Margins				
Sales Growth	9.0%	5.4%	9.0%	N/A
Adj EBITDA Margin	9.4%	10.2%	7.8%	N/A
Adj EPS Growth	72.2%	23.9%	N/A	N/A
Credit Metrics				
Net Debt / Adj. EBITDA(R)	2.4x	2.1x	2.8x	N/A
EBITDA / Interest Expense	7.2x	8.6x	5.9x	N/A
Credit Profile				
Fixed Rate Debt	$2,315.7	55%		
Floating Rate Debt	$1,919.0	45%		
S&P / Moody's Rating	BB/Stable	Ba2/Stable		
Wtd Avg Debt Maturity	6 years			

Source: XPO financials, Bloomberg consensus estimates, and Spruce Point adjustments

1) Includes 10.2m incremental shares converted for the $41m book value perpetual Series A Convertible Preferred Stock
2) Per new accounting rules FASB ASU 2016-02, Leases (Topic 842), XPO is likely to record $1.9bn of operating leases on its balance sheet
3) Based on 13.75% of XPO's Europe's market value and reduced by $41m for the assumed Series A Convertible Preferred Stock conversion
4) Per XPO's 10-K, includes $53.3 of cash collateral for the Euro Trade Securitization Facility as of 12/31/17. XPO does not provide quarterly disclosure of collateral

SPRUCE POINT
CAPITAL MANAGEMENT

Summary of XPO Financial & Accounting Concerns: Mirroring The United Rentals Fraud Scandal of 2008?

Concern	Evidence	Impact and Implication	URI Playbook
Non-Economic Value Destructive Roll-Up	• Seventeen acquisitions since Jacobs took control of XPO, $6.1 billion of capital deployed, and generated just $73m of cumulative adjusted free cash flow = a failed business strategy yielding a 1.2% return on capital investment	• To continue its growth, XPO will be dependent on larger acquisitions and more external capital • Rising interest rates and cost of capital will lower economic returns to the strategy	YES
Dependent On Banks To Survive	• XPO has raised $5 billion of debt and equity capital, and is resorting to increased asset sales and factoring of accounts receivables to bridge the financing gap	• $190m of financing costs to Wall Street, not including M&A advisory fees • Can create incentives to appease banks before shareholders (evidence: forward equity sale)	YES
Growing Working Capital Crunch + Persistently Out of Cash	• Moving to more capital intensive businesses (trucking/warehouses) • XPO has repeatedly reported bank overdrafts and stopped reporting quarterly details in current liabilities • Working capital to sales ratio climbs every quarter, while difference between DSO and DPOs contracting >>> Started factoring European accounts receivable in Q4'17	• We believe XPO will be forced to continue to raise additional debt or equity capital • A likely factor why XPO has failed to complete an acquisition in 2018 despite headlines in 2017 of its "$8 billion" capacity for deals	
Organic Revenue Growth Not Reliable	• Inability to reconcile XPO's historical stated organic growth, including calculation discrepancy in XPO's 2017 organic result • Questionable Non-GAAP adjustment to FX impact • Despite YTD quarterly avg organic growth of 10.8%, cash flow growth increased by just 3.2%	• The CEO has stressed organic sales growth is one of the biggest factors that investors use to value XPO. This creates possible incentives for XPO to inflate this metric	
Adj. EBITDA And Earnings Quality Concerns Make XPO More Levered Than It Appears	• XPO has repeatedly stretched out amortization assumptions • Reports significantly increased non-operating pension gains • Labels recurring M&A and restructuring costs as EBITDA add-backs despite these being material costs of executing its roll-up strategy • Includes 100% of XPO Europe as EBITDA despite owning 87% • Dependence on operating leases will move on balance sheet in 2019 • In Q3'18, XPO shifted gains and losses on asset sales from "other income" into operating results, without providing $ details	• EBITDA is another important financial metric investors focus on. We estimate leverage of Net Debt/Adj EBITDAR is close to 3x • **URI case cited improper accounting for customer relationships, while we observe XPO consistently stretching out assumptions for customer relationship**	YES

Spruce Point Capital Management

Summary of XPO Financial & Accounting Concerns: (Cont'd)

Concern	Evidence	Impact and Implication	URI Playbook
A/R Bad Debt Manipulation	• Post Q2'15 acquisitions, XPO's allowance for bad debt as a % of gross receivables materially declined despite Norbert carrying a higher % of allowances, and has been growing every quarter • XPO just started disclosing bad debt in Q3'18 MD&A	• XPO could have flushed bad debts and labelled them as acquisition costs to be ignored. **URI case cited improper A/R reserve manipulation to boost net income**	YES
Phantom Income Potential Through Unaccountable M&A Earn-Out Liability	• XPO created a $29m earn-out liability on June 30, 2015 despite not disclosing any earn-out compensation for the three acquisitions during that period: UX Logistics, ND, or BTT • The liability was reduced to zero, but XPO did not disclose cash payments or share issuance to satisfy the liability	• IF XPO followed standard earn-out accounting, it would reverse the liability and book $29m of income. • **URI case cited improper acquisition reserves to offset expenses**	YES
Large Discrepancy Between Income Statement And Cash Tax Expense	• XPO has recognized a cumulative income tax benefit of $132m since Jacob's joined, while paying $182m in actual cash taxes	• The discrepancy makes XPO's GAAP EPS less meaningful. We estimate the cumulative earnings benefit has been $1.55/share • **The URI case cited improper tax accounting**	YES
Obscure Diluted Share Count	• The perpetual preferred stock is convertible at $7/share, making it deeply in-the-money. In Q1'16 XPO stopped giving a clear picture to investors about the sources of potentially diluted securities – including 10.2m shares from the preferred stock	• Sell-side analysts have incorrectly modelled the share count, making XPO's valuation look cheaper than economic reality	
Unjust Insider Enrichment on Questionable Metrics	• XPO uses a non-standard definition of "adjusted cash flow per share" to earn significant bonus compensation • The calculation ignores any measure of return on invested capital, which is common in the transportation/logistics industry	• XPO management enriching itself for non-economic value-added investing inc. special bonuses for completing deals (part of its job!). Employees and Unions (Teamsters) already calling out XPO management's greed	

SPRUCE POINT
CAPITAL MANAGEMENT

XPO Adj. EPS vs. Spruce Point Reality: Approximately 47% Overstatement

In our opinion, XPO's highly "adjusted" EPS is a combination of aggressive accounting, unsustainable pension gains, and poor practices that underpay workers and appear to cut corners on worker safety.

Line Item	XPO Consensus 2018E	Spruce Point 2018E Normalized	Comment
Operating Income (EBIT)	**$800.0**	**$800.0**	**Consensus estimate**
Less: Pension Income	--	($76.8)	Not a sustainable component of continuing earnings. XPO has clearly tried to accelerate gains from the past few years, and claimed these gains as "operating" to inflate EBITDA. Changes in market returns assumptions will drive these gains lower over time
Less: Incremental wage pressures	--	($37.5)	There is ample evidence from union, Senate inquiries and lawsuits that XPO is under-spending on wages and safety while US wage pressures increase. We conservatively estimate $625m of wages and salaries at a 6% increase to direct operating expenses
Less: Transaction, Integration, Restructuring & Rebranding costs	--	($26.7)	Recurring costs of XPO's stated acquisition strategy that it conveniently tries to have investors ignore
Less: Bad Debt Expense	--	($25.0)	It strongly appears that XPO has been delaying bad debt expenses, and just started mentioning it in Q3'18. In 2017, $24m was charged to expense, but the real amount is likely 2x based on Norbert's historical accrual
Less: Amortization Expense	--	($23.2)	XPO has consistently extended amortization periods to lower amortization expense
Less: Incremental Interest Expense	--	($1.2)	Incremental interest expense from rising interest rates applied to Term Loan
Total Spruce Point Adjustments	**--**	**($190.4)**	**Our adjustments deducted from the Street's $635.8m pre-tax income**
Pro Forma Pre-Tax Cont. Income	**$635.8**	**$445.4**	**We estimate XPO's normalized pre-tax profit is approximately -30% lower**
Less: Taxes	($192.4)	($134.8)	30% implied effective tax rate
Adjusted Net Income	**$443.4**	**$258.6**	**We deduct $52m for minority interest**
Diluted Shares	133.0	146.8	Analysts ignore the Series A Convertible Pfd. stock while XPO obscures the impact
Adj. Diluted EPS	**$3.33**	**$1.76**	**We estimate continuing EPS approx. -47% below the street "adjusted" estimates**

Source: XPO and Spruce Point estimates; Bloomberg consensus estimates

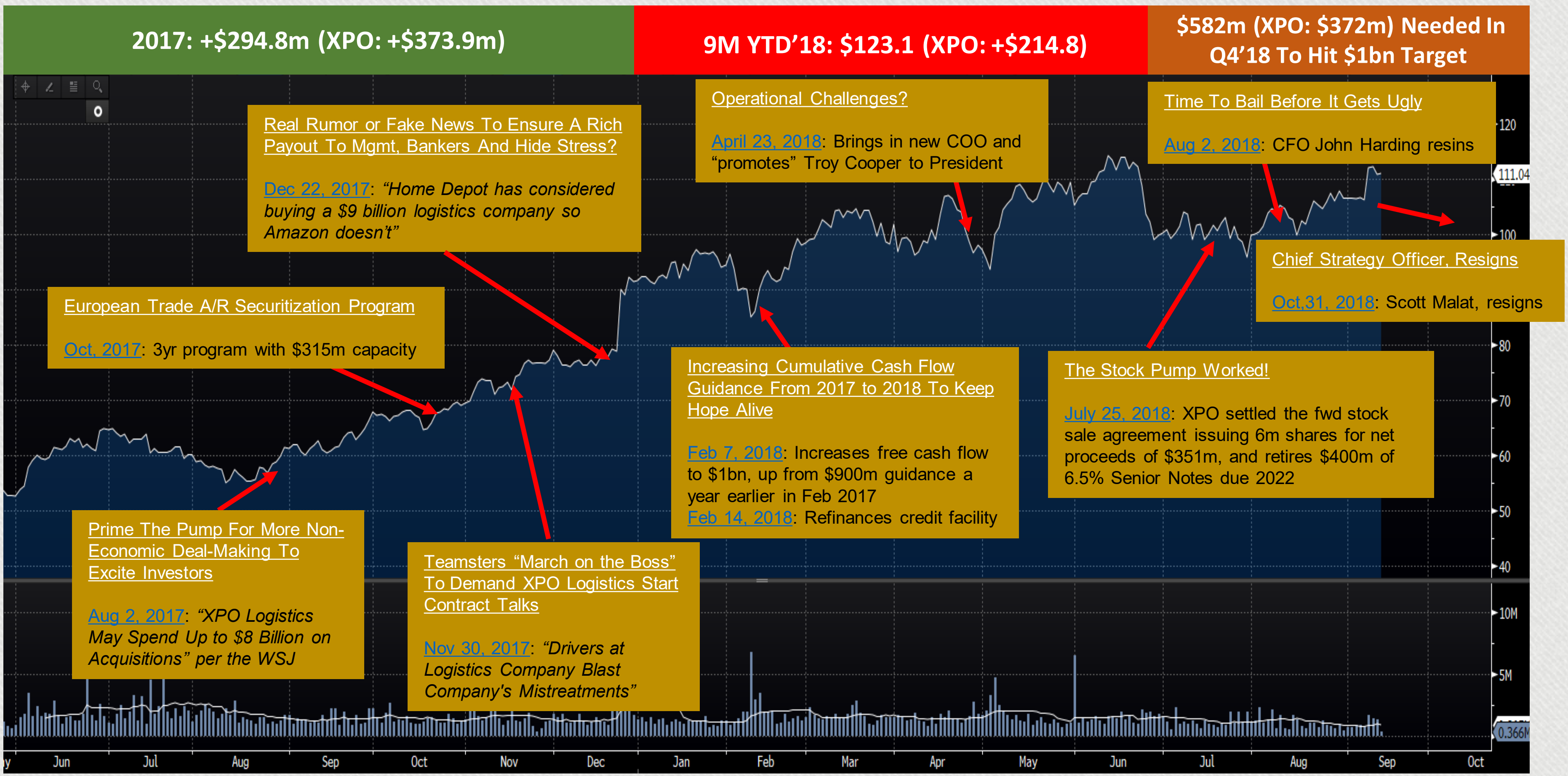
Evidence of a Financial Scheme That Could Quickly Collapse

Proprietary and Confidential –May Not Be Distributed or Copied Without Spruce Point Capital Management, LLC Consent

Spruce Point
Capital Management

A Well Orchestrated Stock Promotion With Classic Signs of Strain

It's no surprise to Spruce Point that XPO recently walked back its free cash flow guidance for 2019E to $650m (vs. Consensus est. of $884m and implying virtually no YoY growth). However, it claims Adj EBITDA can grow 12-15%, which suggests that Adj. EBITDA is not a meaningful way to value XPO's business. (1,2)



1) XPO 8-K with updated guidance
2) We show both the traditional Free Cash Flow definition = CFO – capex and XPO's aggressively defined Free Cash Flow (including asset sale)

SPRUCE POINT CAPITAL MANAGEMENT

Evidence of A Non-Economic Model

Seventeen acquisitions since Jacobs took control of XPO, $6.1 billion of capital deployed, and it has generated $73m of cumulative adjusted free cash flow = a failed business strategy yielding a 1.2% return on capital investment.

XPO's latest Annual Report added a new risk factor: **"Our past acquisitions, as well as any acquisitions that we may complete in the future, may be unsuccessful or result in other risks or developments that adversely affect our financial condition and results."**

XPO Post Jacobs Roll-Up Strategy Implementation

$ in mm	2011	2012	2013	2014	2015	2016	2017	YTD 9m 2018
Cash from Operations	Jacobs completes investment and forms XPO on Sept 2011	($24.2)	($66.3)	($21.3)	$90.8	$625.4	$798.6	$536.2
Less: Capital Expenditures		$7.0	$11.6	$44.6	$249.0	$483.4	$503.8	$413.1
Free Cash Flow		**($31.2)**	**($77.9)**	**($65.9)**	**($158.2)**	**$142.0**	**$294.8**	**$123.1**
Less: Noncontrolling Interest (1)		--	--	--	($0.5)	$15.5	$20.0	$22.8
Less: Tax Withhold: RSU/PRSU (2)		--	--	--	--	$11.1	$16.6	$48.8
Less: Preferred Stock Dividend (3)		$3.0	$3.0	$2.9	$2.8	$2.9	$2.9	$2.1
Spruce Pt. Adj. Free Cash Flow		**($34.2)**	**($80.9)**	**($68.8)**	**($160.5)**	**$112.5**	**$255.3**	**$49.4**
Cumulative Adj. FCF		**($34.2)**	**($115.1)**	**($183.9)**	**($344.4)**	**($231.9)**	**$23.4**	**$72.8**
Acquisition Cost (Inc. Minority Interest)	$0.0	$57.2	$458.8	$814.0	$4,346.7	$1.4	$0.0	$0.0
Earn-Out Payments	$0.5	$0.5	$0.0	$0.0	$0.0	$0.0	$0.0	$0.5
Rebranding Costs (4)	$0.0	$0.0	$0.0	$1.2	$12.4	$30.1	$18.4	$2.9
Integration and Deal Costs (4)	$1.0	$2.9	$6.5	$23.6	$188.6	$73.1	$59.9	$17.8
Total Acquisition Costs	**$1.5**	**$60.6**	**$465.3**	**$838.8**	**$4,547.7**	**$104.6**	**$78.3**	**$20.7**
Cumulative Acquisition Costs	**$1.5**	**$62.0**	**$527.3**	**$1,366.1**	**$5,913.8**	**$6,018.4**	**$6,096.7**	**$6,117.4**

1) Represents the provision on the income statement that is a claim due to minority owners of XPO Logistics Europe SA. XPO's cash flow statement begins with Net Income pre-minority interest.
2) Cost associated with XPO's discretionary policy to compensate employees with restricted stock, presented as a "financing" cash flow, but operating in nature
3) Fixed and recurring payments to Series A Preferred Stockholders akin to interest expense
4) Recurring costs necessary to implement XPO's stated acquisition business strategy

Spruce Point Capital Management

Echo Logistics Roll-Up

We've been critical of Echo Global Logistics in the past, but its roll-up strategy including 21 companies is significantly better than XPO's. Since inception, Echo has spent $521m for acquisitions, with cumulative free cash flow of $166m = 32% return on investment. By year eight (on an apples-to-apples basis with XPO), Echo returned 37%.

Where XPO Is today

$mm	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	YTD 2018
Operating Cash Flow	$2.1	$0.4	$1.7	($5.6)	$8.6	$15.7	$22.8	$24.8	$32.4	$70.8	$59.7	$48.7	$63.0
Less: Capital Expenditures	$1.5	$4.0	$4.7	$4.3	$6.2	$6.4	$8.9	$9.2	$15.2	$14.7	$46.9	$20.7	$19.5
Free Cash Flow	$0.6	($3.6)	($3.0)	($9.9)	$2.4	$9.4	$13.9	$15.6	$17.2	$56.1	$12.9	$28.0	$43.5
Less: Tax Withheld / Stock	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.2	$0.8	$1.1	$1.9	$4.9	$1.8	$2.4
Less: Preferred Dividends	$0.2	$0.0	$0.0	$3.5	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Spruce Point Adj. FCF	**$0.3**	**($3.6)**	**($3.0)**	**($13.4)**	**$2.4**	**$9.4**	**$13.7**	**$14.7**	**$16.1**	**$54.2**	**$8.0**	**$26.2**	**$41.1**
Cumulative Adj. FCF	**$0.3**	**($3.2)**	**($6.2)**	**($19.6)**	**($17.2)**	**($7.8)**	**$5.9**	**$20.6**	**$36.7**	**$90.9**	**$98.9**	**$125.1**	**$166.2**
Acquisition Costs (1)	$0.0	$4.8	$0.4	$7.2	$8.6	$5.0	$16.4	$2.0	$33.8	$392.7	$11.4	$0.0	$1.0
Plus: Deferred and Contingent Payments	$0.0	$0.0	$0.0	$0.0	$0.0	$1.6	$5.2	$3.6	$4.9	$20.4	$1.5	$0.2	$0.6
Total Acquisition Costs	**$0.0**	**$4.8**	**$0.4**	**$7.2**	**$8.6**	**$6.6**	**$21.6**	**$5.6**	**$38.6**	**$413.1**	**$12.9**	**$0.2**	**$1.6**
Cumulative Acq. Costs	**$0.0**	**$4.8**	**$5.2**	**$12.5**	**$21.1**	**$27.6**	**$49.2**	**$54.8**	**$93.4**	**$506.5**	**$519.5**	**$519.7**	**$521.2**

1) Includes Command Transportation integration costs of $2.3 and $11.4m in 2015 and 2016
Source: ECHO SEC Filings

Spruce Point
Capital Management

XPO Collapses Absent Capital Support

Classic corporate financial schemes that collapsed were exposed for their dependency on external financing and an inability to generate sustained cash flow. Not surprisingly, we find that XPO is a capital raising machine, having raised $5 billion of debt and equity capital, while paying out $190m of financing costs to Wall Street (ex: M&A advisory fees). XPO has bridged the gap between $6.1bn of acquisition costs and $5bn of capital raising with $817m of asset sales, and $364m of factoring receivables through XPO Logistics Europe created in Oct 2017.

"A lot of frauds are in effect Ponzi schemes. And so when they can't raise more and more capital, they collapse"
-- Jim Chanos, II Magazine, Sept 2018

XPO Entirely Dependent On External Financing

$mm	2012	2013	2014	2015	2016	2017	YTD 9m 2018	Cumulative
LT Debt Issuance	$138.5	--	$500.0	$4,151.8	$1,377.8	$819.2	$895.8	$7,883.1
LT Debt Repayment	--	--	--	--	($1,889.2)	($1,386.6)	($1,225.4)	($4,501.2)
Revolver Borrowing	--	$73.3	$130.0	--	--	--	--	$203.3
Revolver Repayment	--	--	($205.0)	--	--	--	--	($205.0)
ABL Issuance	--	--	--	--	$360.0	$995.0	$925.0	$2,280.0
ABL Repayment	--	--	--	--	($330.0)	($925.0)	($1,025.0)	($2,280.0)
Other LT Debt and Capital Leases	--	--	--	($1,215.6)	($151.4)	($106.4)	($84.7)	($1,558.1)
Debt Issuance Costs	--	--	($10.4)	($42.9)	($25.8)	($16.8)	($6.4)	($102.3)
Total Debt Flows	**$138.5**	**$73.3**	**$414.6**	**$2,893.3**	**($658.6)**	**($620.6)**	**($520.7)**	**$1,719.8**
Common/Preferred Stock Issuance	$144.9	$253.6	$1,131.3	$1,260.0	--	$287.6	$348.5	$3,425.9
Equity Issuance Costs	($8.0)	($14.1)	($33.9)	($31.9)	--	--	--	($87.9)
Total Equity Flows	**$136.9**	**$239.5**	**$1,097.4**	**$1,228.1**	**--**	**$287.6**	**$348.5**	**$3,338.0**

Source: SEC Filings

Spruce Point Capital Management

Bank Overdrafts Are A Warning Sign

XPO has never explained the reason in its filings for bank overdrafts. Furthermore, it stopped providing overdraft details in its current liabilities at the end of 2016 when its Chief Accounting Officer and Chief Legal Officer resigned. (1)

Spruce Point Is Not Aware of Why Any Healthy and "Successful" Company Needs To Regularly Tap Bank Overdrafts

	Years Ended December 31,		
	2017	2016	2015
Financing activities			
Repurchase of debt	(1,386.6)	(1,889.2)	—
Proceeds from issuance of long-term debt	819.2	1,377.8	4,151.8
Repayment of long-term debt and capital leases	(106.4)	(151.4)	(1,215.6)
Proceeds from borrowings on ABL facility	995.0	360.0	—
Repayment of borrowings on ABL facility	(925.0)	(330.0)	—
Payment of debt issuance costs	(16.8)	(25.8)	(42.9)
Payment for tax withholdings for restricted shares	(16.6)	(11.1)	—
Dividends paid	(6.6)	(5.4)	(2.8)
Change in bank overdrafts	(2.8)	(16.5)	(12.3)
Proceeds from common stock and preferred stock offerings	287.6	—	1,260.0
Purchase of noncontrolling interests	—	(1.4)	(459.7)
Payment for equity issuance costs	—	—	(31.9)
Other	(7.4)	12.2	(1.7)
Net cash (used in) provided by financing activities	(366.4)	(680.8)	3,644.9

Source: XPO's 2017 10-K

XPO Stopped Providing Additional Balance Sheet Disclosure After FY 2016 When Key Executives Resigned

Other Current Liabilities

Other current liabilities is comprised of the following:

(In millions)	December 31, 2016	December 31, 2015
Deferred revenue	$ 47.3	$ 62.4
Employee benefits	37.3	38.7
Book and bank overdrafts	11.0	29.5
Acquisition earn-out liability	—	21.8
Income tax payable	27.4	—
Other current liabilities	33.7	51.2
Total Other Current Liabilities	$ 156.7	$ 203.6

Source: XPO's 2016 10-K

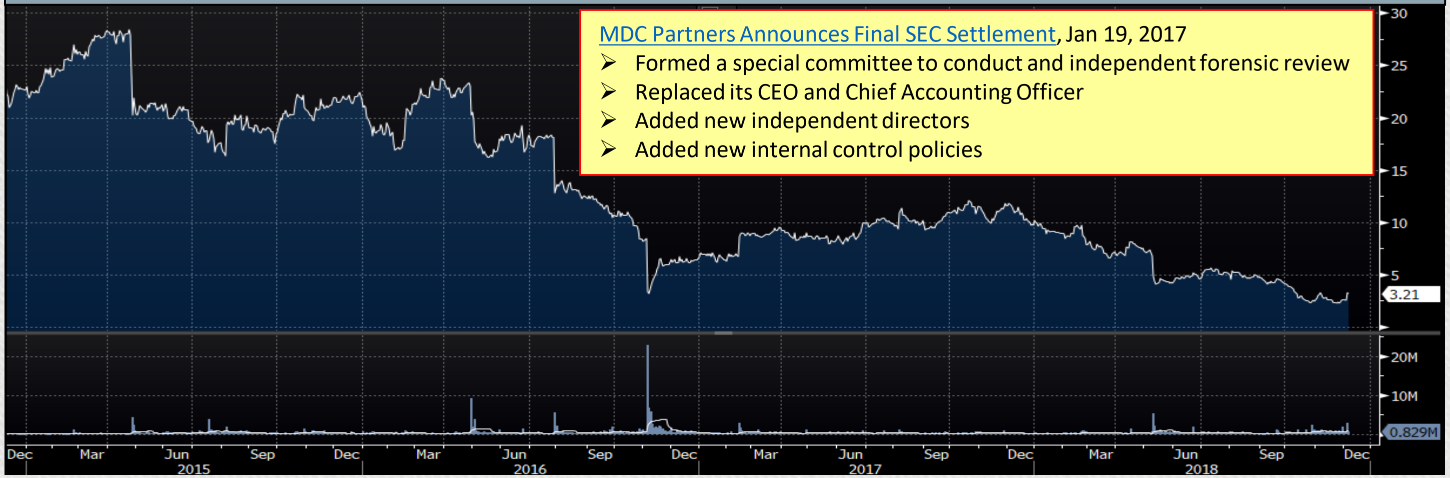
Additional analysis on the mysterious earn-out liability here

1) XPO's Chief Accounting Officer left Nov 2016 according to his LinkedIn biography. Chief Legal Officer resigned 2/12/17, 8-K

Spruce Point Capital Management

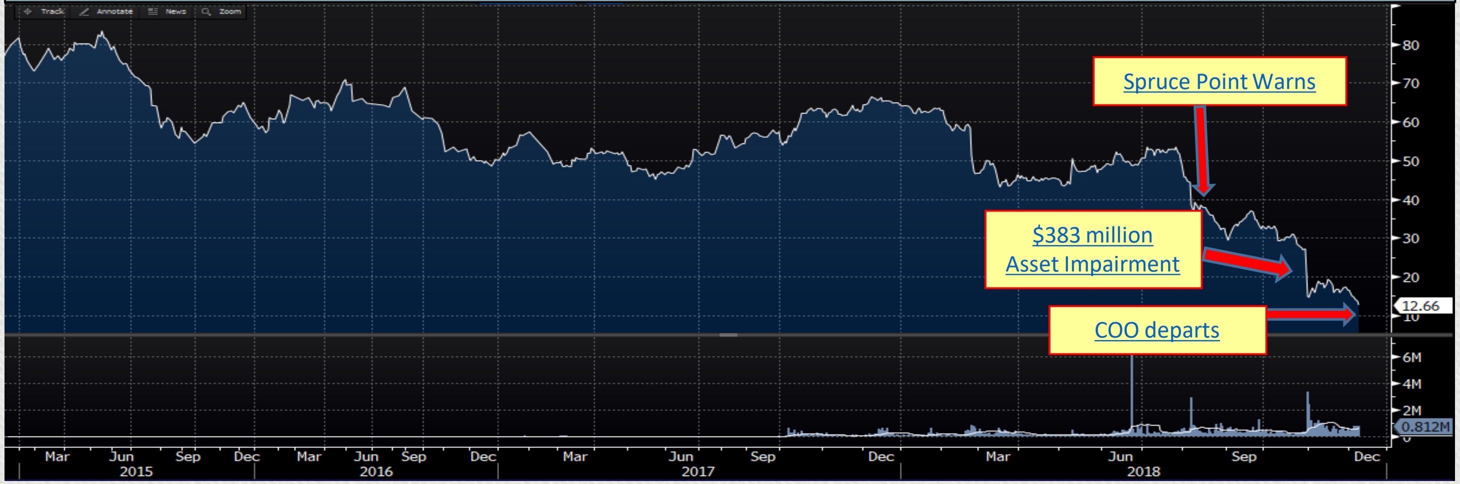
Case Studies: Last Two Companies We Know Reported "Bank Overdrafts" Have Imploded

MDC Partners Reported Bank Overdrafts Before Shares Tanked + SEC Investigation Started



Source: MDC Partners 2016 10-K

Spruce Point Warned About Maxar's Bank Overdrafts Which Started In 2015



Source: Maxar 2017 Annual Report

SPRUCE POINT CAPITAL MANAGEMENT

XPO Moving Into Lower Return, Higher Capital Intensity Businesses

Investors appear blind to the fact that as XPO has moved away from its traditional third party asset-light logistics business, and into trucking and supply chain fulfillment, its capital requirements have increased. We don't view any of these as positive developments, especially as XPO is now fronting capital for customer warehouses.

Acquisitions Have Moved XPO Into More Capital and Asset Intensive Businesses

While A Customer Is Requiring XPO To Front Capital For Its Warehouse

XPOLogistics

Solutions About Us News Work For Us Drive For Us Investors

HOME / NEWSROOM

PRESS RELEASE

Nestlé and XPO Logistics Build a Digital Warehouse of the Future in the UK

Greenwich, Conn. | June 18, 2018

Nestlé, the world's largest food and drink company, and XPO Logistics, a leading global provider of transport and logistics solutions, are co-creating a 638,000-square-foot distribution center at the new SEGRO East Midlands Gateway Logistics Park in Leicestershire, UK. The facility, a digital warehouse of the future, will be occupied predominantly by Nestlé for its consumer packaged goods and will function as a testbed environment for XPO technology prototypes prior to global release.

The custom-designed distribution center, scheduled for completion in 2020, will feature advanced sorting systems and robotics alongside state-of-the-art automation co-developed with Swisslog Logistics Automation. The site's digital ecosystem will integrate predictive data and intelligent machines to deliver one of the most advanced distribution management centers in the world, giving consumers faster, more efficient access to KITKAT, MAGGI, NESCAFÉ and other much-loved Nestlé brands.

The XPO-owned facility will be strategically located in the Midlands to benefit from direct access to the M1 motorway for road transport, the East Midlands Airport for cargo flights, and an onsite rail freight terminal with direct access to the major UK ports of Southampton, Felixstowe, London Gateway and the Channel Tunnel.

Source: XPO press release

Spruce Point Capital Management

Signs Suggesting A Recent Liquidity Crunch

Our analysis illustrates that XPO experienced a recent cash crunch. The spread between DSOs and DPOs contracted in Q4'17 and it implemented a trade receivable facility in the same quarter. The ratio of Working Capital to LTM Revenues also gapped higher into 2018, which suggests its business is become more capital intensive. XPO also stopped providing its working capital discussion in the 2017 10-K, and omitted the disclosure that it had sufficient ability operate in the next 12 months. In Q3 2017 (November) the CFO said working capital would be a source of $50-$60m of cash in Q4 2017; this proved to be false (1).

This Disclosure Was Dropped In the 2017 10-K

As of December 31, 2016, we had $342.0 million of working capital, including cash and cash equivalents of $373.4 million, compared to working capital of $262.8 million, including cash and cash equivalents of $289.8 million, as of December 31, 2015. This increase of $79.2 million in working capital during the period was mainly due to an increase in cash and accounts receivable, partially offset by an increase in accrued expenses…. **We believe that cash generated from operations, our existing cash balance, and availability of capacity to draw down under our ABL Facility will be sufficient to support our existing operations over the next 12 months** Source: 2016 10-K, p. 27

$mm	2016				2017				2018		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Days Sales Outstanding (DSO)	48.4	55.7	51.1	57.3	57.5	59.0	60.7	59.8	59.2	58.6	58.9
Days Payables Outstanding (DPO)	25.3	33.3	28.1	31.1	32.1	37.0	41.7	51.8	47.5	47.6	48.6
Difference DSO – DPO	**23.2**	**22.4**	**23.0**	**26.2**	**25.4**	**22.0**	**19.0**	**8.0**	**11.6**	**11.0**	**10.3**
Euro Trade A/R Capacity	--	--	--	--	--		€ 270	€ 270	€ 350	€ 350	€ 350
Outstanding **% Utilization**	--	--	--	--	--	--	--	**€ 253** **94%**	**€ 322** **92%**	**€ 312** **89%**	**€ 314** **90%**
Trailing 12 Month Revenues (A)	$10,466	$12,934	$14,285	$14,619	$14,613	$14,690	$14,864	$15,381	$16,033	$16,636	$17,084
Current Assets Less: Cash and Equivalents Adjusted Current Assets (B)	$3,041 ($279) $2,667	$3,106 ($378) $2,728	$3,172 ($360) $2,811	$3,074 ($373) $2,700	$3,096 ($342) $2,967	$3,258 ($291) $2,967	$3,582 ($473) $3,109	$3,588 ($397) $3,191	$3,806 ($380) $3,426	$3,713 ($361) $3,352	$3,830 ($428) $3,402
Current Liabilities (C)	$2,713	$2,640	$2,694	$2,732	$2,597	$2,734	$2,908	$2,997.1	$3,012	$2,940	$2,995
Working Capital (B – C) / (A) **% of LTM Sales**	***0.5%***	***0.7%***	***0.8%***	***-0.2%***	***1.1%***	***1.6%***	***1.4%***	***1.3%***	***2.6%***	***2.5%***	***2.4%***

Source: XPO, Bloomberg and Spruce Point analysis

1) CFO working capital forecast for Q4 2017 of $50-$60m on Q3 2017 earnings call

SPRUCE POINT CAPITAL MANAGEMENT

Evidence To Suggest XPO Beholden To The Banks' Interests Ahead of Shareholders

The proxy statement also illuminates the fact that prior equity awards were certified by a condition that *"[XPO's] Stock Price at $60 or above for 20 consecutive days prior to April 2, 2018"*
The $60 price objective is oddly similar to the forward equity sales price of $58.50 between XPO and JPM / Morgan Stanley in July 2017. Given our earlier conclusions that XPO is heavily dependent on external financing, this creates the appearance of preferential dealing between XPO and its bankers.

*"In July 2017, the Company completed a registered underwritten offering of 11 million shares of its common stock at a public offering price of **$60.50 per share**, plus up to an additional 1.65 million shares of its common stock pursuant to an option granted to the underwriters to purchase additional shares of the Company's common stock directly from the Company (the "Offering"). Of the 11 million shares of common stock, 5 million shares were offered directly by the Company **and 6 million shares were offered in connection with forward sale agreements (the "Forward Sale Agreements")**"*

XPO 8-K: *"On July 25, 2018, the Company settled each of the Forward Sale Agreements with the applicable Forward Counterparty, as a result of which the Company issued 6,000,000 shares of its common stock in the aggregate and received aggregate net cash proceeds equal to approximately $351 million. **Consistent with the Company's strategy to grow its business in part through acquisitions, the Company entered into the Forward Sale"***

No acquisition ever occurred, and XPO sold stock at a significant discount to the market

From The Bank's Perspective At Settlement	Forward Purchase Price (A)	Shares Subject to Forward Sale (B)	Market Price of XPO shares on Settlement (C)	Beneficial Gain to Banks (B)*(C-A)
	$58.50	6 million	$101.3	+$256.8m

From The XPO's Shareholder Perspective At Settlement	Forward Sales Price	Shares Subject to Forward Sale	Proceeds To XPO	Shares Issued Had XPO Done An Equivalent $351m raise on 7/25/18 (1)	Incremental Share Dilution To XPO Investors
	$58.50	6 million	$351m	3.5 million	+2.5 million

1) Assumes a 2.5% discount to the closing price of $101.3

House of Cards Accounting

Proprietary and Confidential – May Not Be Distributed or Copied Without Spruce Point Capital Management, LLC Consent

SPRUCE POINT CAPITAL MANAGEMENT

A Closer Look At What's Important To Management

Source: XPO 2018 Investor Presentation

2017 was the sixth straight year that XPO met or exceeded its full year financial targets

XPO touts its ability to meet and exceed expectations in a consistent manner. Management is most likely to manipulate and inflate the metrics important for its compensation and its targets to appease investors and analysts. In the quote below, CEO Jacobs lays out exactly the three most important metrics. Note: EBITDA minus capex and interest expense is his bonus metric.

Q - Bascome Majors: *"Just one final question on incentives. You've been very transparent on your long-term incentive plan and the FCF per share targets that you rolled out last year for that. I was wondering if you can talk about in the short-term plan or annual bonus, is there any different focus this year than last year? Just what metrics are being emphasized and why as we head into 2017 and 2018?"*

A - CEO Bradley S. Jacobs: *"It's real simple.* ***It's EBITDA minus CapEx, minus interest expense****. So, we're aligning the executive suite with shareholder interest. So, when we meet with our top shareholders, we usually – and they give us a QBR, quarterly business review, just like our customers give us a QBR, the main three metrics that they look at are,* ***first how's your EBITDA growth going?*** *Second, box checks very well there, very significant above average EBITDA growth.* ***Second one they look at is, cash flow****, and nice big ramp-up of cash flow this year from the previous year, nice expected FCF increase 2017 over 2016 and even continuing that in 2018 over 2017.* ***And the third metric they look at is, organic revenue growth. They're looking for mid-single-digits organic revenue growth****. So those are the three things that our owners, our shareholders are looking at, so that's what we want to incentivize our organization focused on as well."*

Source: Q4 2016 Earnings Call

Spruce Point Capital Management

#1: Dubious EBITDA

Spruce Point has consistently warned about Non-GAAP financial presentation abuse. XPO's Adjusted EBITDA is particularly egregious, especially in light of its desire to give 100% credit for XPO Europe despite owning just 86.25%.

Reconciliation of Non-GAAP Measures
XPO Logistics, Inc.
Consolidated Reconciliation of Net Income (Loss) to Adjusted EBITDA ex. Truckload
(Unaudited)
(In millions)

	Twelve Months Ended December 31,			
	2017	2016	2015	2014
Net income (loss) attributable to common shareholders	$ 312.4	$ 63.1	$ (245.9)	$ (107.4)
Preferred stock beneficial conversion charge	-	-	(52.0)	(40.9)
Distributed and undistributed net income	(27.8)	(5.9)	(2.8)	(2.9)
Noncontrolling interests	(20.0)	(15.5)	0.5	-
Net income (loss)	360.2	84.5	(191.6)	(63.6)
Debt commitment fees	-	-	19.7	14.4
Loss on conversion of convertible senior notes	0.5	0.2	10.0	5.5
Loss on debt extinguishment	36.0	69.7	-	-
Other interest expense	283.8	360.9	187.0	28.1
Income tax (benefit) provision	(99.5)	22.3	(90.9)	(26.1)
Accelerated amortization of trade names	-	-	2.4	3.3
Depreciation & amortization expense	658.4	643.4	362.5	95.0
Unrealized loss (gain) on foreign currency option and forward contracts	49.4	(36.0)	2.5	-
EBITDA	$ 1,288.8	$ 1,145.0	$ 301.6	$ 56.6
Transaction & integration costs	59.9	73.1	188.6	23.6
Rebranding costs	18.4	30.1	12.4	1.2
Gain on sale of intermodal equipment	-	-	(9.5)	-
Adjusted EBITDA	$ 1,367.1	$ 1,248.2	$ 493.1	$ 81.4
Adjusted EBITDA divested NA Truckload business	-	80.1	18.8	-
Adjusted EBITDA ex. Truckload	$ 1,367.1	$ 1,168.1	$ 474.3	$ 81.4

Refer to the "Non-GAAP Financial Measures" section on page 2 of this document
Adjusted EBITDA was prepared assuming 100% ownership of XPO Logistics Europe

Key word: **UNAUDITED**

XPO giving itself 100% credit for something, despite only owning 86.25% and adds these items to EBITDA when they should be deducted (1)

Recurring costs necessary to implement its stated roll-up business strategy cannot simply be ignored

1) See AK Steel / Huntsman as an example of proper treatment of noncontrolling interest on EBITDA

Spruce Point
Capital Management

Phantom Income Through An Unexplained Reserve For An Earn-Out?

XPO booked a mysterious "Acquisition Earn-Out Liability" of $29m in Q2'15. XPO completed three deals in this time period, but made no disclosure about any earn-out components of the consideration. In subsequent periods, XPO did not recognize any payments through its cash flow statement to satisfy the earn-out, or equity issuance to satisfy the debt. Proper accounting for the earn-out would have resulted in XPO marking-to-market the changes in the value of the earn-out through the income statement. Failure to achieve the earn-out and reducing its value to zero would have resulted in $29m of phantom income. (1)

Date	Company Acquired	Consideration Paid According To XPO SEC Filings Does Not Indicate Earn-Out Incentive Compensation
Feb 9, 2015	UX Specialized Logistics	• The fair value of the total consideration paid under the UX Asset Purchase Agreement was $58.9 million and consisted of $58.1 million of cash paid at the time of closing, including an estimate of the working capital adjustment, and $0.8 million of equity
May 4, 2015	Bridge Terminal Transport, Inc	• The fair value of the total consideration paid under the BTT Stock Purchase Agreement was $103.8 million and consisted of $103.1 million of cash paid at the time of closing, including an estimate of the working capital adjustment, and $0.7 million of equity
June 9, 2015	Norbert Dentressangle	• Total cash consideration paid for the majority interest in the share capital of ND and settlement of the warrants was €1,437.0 million, or $1,603.9 million, excluding acquired debt.

Warning: *"From 1997 to 2000, during a period of enormous growth through acquisitions, URI engaged in improper accounting practices involving its valuation of acquired assets, **use of acquisition reserves**, and accounting for customer relationships."*
Source: SEC vs United Rentals Complaint 2008

	As of June 30, 2015	As of December 31, 2014
Deferred revenue	$ 48.8	$ 0.5
Acquisition earnout liability	29.0	—
Current portion of interest rate swap liability	4.6	—
Other current liabilities	21.6	6.2
Total Other Current Liabilities	$ 104.0	$ 6.7

Other Current Liabilities

Other current liabilities is comprised of the following:

(In millions)	December 31, 2016	December 31, 2015
Deferred revenue	$ 47.3	$ 62.4
Employee benefits	37.3	38.7
Book and bank overdrafts	11.0	29.5
Acquisition earn-out liability	—	21.8
Income tax payable	27.4	—
Other current liabilities	33.7	51.2
Total Other Current Liabilities	$ 156.7	$ 203.6

1) See PwC accounting for contingent considerations as a primer on earn-out accounting

SPRUCE POINT CAPITAL MANAGEMENT

Low Quality Pension Income

Ever since acquiring Con-Way and ND, XPO has been reporting accelerated pension gains that have been increasing EBITDA, and now pre-tax income (1). These gains are non-operational and can be used to mask underlying weakness in XPO's core business. Not surprisingly, XPO hasn't drawn attention to pension gains in its earnings press releases, quarterly filings, conference calls or investor presentations until recently in Q2'18 (2).

"We have historically realized income, rather than expense, from these plans. We generated aggregate income from our U.S. and U.K. plans of $44.4 million in 2017, $27.5 million in 2016 and $8.2 million in 2015. The plans have been generating income due to their funded status and since they do not allow for new plan participants or additional benefit accruals. The effects of the defined benefit pension plans on our operating results consist primarily of the net effect of the interest cost on plan obligations for the U.S. Plans and the U.K. Plan, and the expected return on plan assets. We estimate that the defined benefit pension plans will contribute annual pre-tax income in 2018 of $32.4 million for the U.S. Plans and $41.4 million for the U.K. Plan." XPO 10-K pp. 38 and 40

Year End	US Plan	UK Plan	Total Pre-Tax Income Gain	Location in Income Statement	XPO Adj. EBITDA	Gain as % of EBITDA	XPO GAAP Pre-Tax Profit	Pension Gain % of Pre-Tax Profit	Estimated Impact on EPS (3)
2018E	$32.4 est	$41.4 est	$76.8 est	Other Income	$1,600	4.8%	$643.0	12.0%	$0.43
2017	$15.4 est	$26.0 est	$44.4 (actual)	Operating Income	$1,367	3.2%	$260.7	17.0%	--
2016	$9.3 est	$14.1 est	$27.5 (actual)	Operating Income	$1,248	2.2%	$106.8	25.7%	--
2015	N/A	N/A	$8.2 (actual)	Operating Income	$493	1.7%	($282.5)	NM	--

Source: XPO 10-K filings, Bloomberg 2018 consensus estimates. Note: US/UK estimated gains from previous year Annual Reports. XPO's total pre-tax gains exceeded estimates in both 2016/17

1. XPO adopted ASU 2017-07 on Jan 1, 2018 and reclassified the income from operating income to other expense (income) on the income statement
2. Q2'18 conference call: *"Other income was $30 million in the quarter versus $20 million in the first quarter. The largest piece of this was due to our well-funded pension plans, where strong asset returns have outpaced expense."*
3. Estimate based on 2018E income tax rate of 23.6% and 134.1 diluted shares. Previous years the effective tax rate was negative

SPRUCE POINT CAPITAL MANAGEMENT

Signs To Suggest M&A Bad Debt Allowance Manipulation

We analyzed XPO's allowance for doubtful accounts and find a worrisome fact that allowance reserves were depressed post the Q2 2015 acquisitions of ND, UX and BTT. ND was the material acquisition contributor, and its financials show a 2.4% allowance accrual vs. XPO's 1.9% pre-acquisition. On a go forward basis, it makes little sense why XPO's allowance dropped to 0.6% and has risen every single quarter in the last two and half years to a more normal level. Ironically, at Jacob's last company United Rentals, the SEC charged it with manipulating the accounts receivable acquisition reserves. Absent intentional manipulation, the rising allowance trend could indicate XPO's declining ability to collect from existing customers, or sales being recorded from lower quality new customers.

"Instead of eliminating the accounts receivable acquisition reserves after the allocation period (presumed to last no longer than one year), URI left the acquisition reserves on its books and commingled acquisition related accounts receivable reserves with operating accounts receivable reserves, enabling the company to offset improperly post-acquisition bad debt expense" SEC URI Complaint 2008

$mm	2015				2016				2017				2018		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Accounts Receivable, Net (A)	$504.7	$1,673.2	$1,647.2	$2,266.4	$2,265.1	$2,266.4	$2,338.4	$2,313.0	$2,338.0	$2,481.9	$2,601.0	$2,725.3	$2,858.4	$2,855.9	$2,914.9
Allowance For Doubtful Accounts (B)	$10.0	$10.1	$8.9	$16.9	$20.3	$21.3	$26.2	$26.3	$24.3	$36.2	$39.2	$42.4	$44.8	$45.9	$51.9
Gross Receivables (A+B)=(C)	$514.7	$1,683.3	$1,656.1	$2,283.3	$2,285.4	$2,287.7	$2,364.6	$2,339.3	$2,362.3	$2,518.1	$2,640.2	$2,767.7	$2,903.2	$2,901.8	$2,966.8
Allowance as % of Gross = (B / C)	**1.9%**	**0.6%**	**0.5%**	**0.7%**	**0.9%**	**0.9%**	**1.1%**	**1.1%**	**1.0%**	**1.4%**	**1.5%**	**1.5%**	**1.5%**	**1.6%**	**1.7%**

Source: XPO Financial Statements

Deals Close **% Rises Every Single Quarter Since Closing Norbert Deal**

Norbert's Accounts Pre-XPO Acquisition

€000	31 Dec. 2014	31 Dec. 2013	31 Dec. 2012
Trade receivables	908,010	795,593	637,198
Impairment provisions	(21,563)	(19,714)	(14,824)
Trade receivables	**886,447**	**775,879**	**622,374**
Tax and social security receivables	87,046	63,606	64,994
Advances and down payments	8,183	11,134	1,470
Pre-paid expenses	50,615	48,583	43,575
Other miscellaneous receivables	18,930	18,420	19,102
Other receivables	**164,774**	**141,743**	**129,141**
Current tax receivables	**38,558**	**17,621**	**12,079**

Norbert's impairment provisions as a % of gross trade receivables were 2.4%

Source: XPO 8-K

SPRUCE POINT
CAPITAL MANAGEMENT

New Q3'18 Disclosure Corroborates Suspicions of A/R Problems….

Lo and behold, XPO just now included a disclosure in its 3rd quarter 2018 10-Q about how it accounts for accounts receivables and allowance for bad debt, and added bad debt expense in its MD&A. This strongly suggests it has been covering up strain in its business, consistent with our analysis and observations on the prior slide.

New Disclosure: Accounts Receivable

Accounts receivable are recorded at the contractual amount. The Company records its allowance for doubtful accounts based upon its assessment of various factors. The Company considers historical collection experience, the age of the accounts receivable balances, credit quality of the Company's customers, any specific customer collection issues that have been identified, current economic conditions, and other factors that may affect the customers' ability to pay. The Company writes off accounts receivable balances once the receivables are no longer deemed collectible from the customer. The Company sells certain accounts receivable to unrelated financial institutions. The cost of participating in these programs was immaterial to the Company's results of operations for the nine months ended September 30, 2018 and 2017.

Q3 2018: Management Discussion and Analysis (MD&A)

SG&A for the third quarter of 2018 was $447.2 million, or 10.3% of revenue, compared to $399.6 million, or 10.3% of revenue, in the third quarter of 2017. SG&A as a percentage of revenue was flat in the third quarter ***primarily due to higher bad debt expense****, lower professional fees and essentially flat employee compensation costs. SG&A for the first nine months of 2018 was $1,351.7 million, or 10.5% of revenue, compared to $1,213.4 million, or 10.8% of revenue, in the first nine months of 2017. The decrease in SG&A as a percentage of revenue in the nine-month period primarily reflects lower professional services and consulting costs and revenue growth of 15.2% for the first nine months of 2018..*

Source: 10-Q, pp. 5 and 25

Spruce Point
Capital Management

More Desperate Ways To Inflate EBITDA?

XPO made a subtle change in Q3 2018 to move gains and losses from property and equipment from "other expenses (income)" into the direct operating expense line item. XPO does not break-out these gains or losses, but in a worst case, it is improperly inflating EBITDA by running gains as a reduction to operating expenses. XPO's asset sales have increased 54% YoY, and it explicitly says any gains/loss below operating income are excluded form EBITDA. (1)

New Disclosure

*"Direct operating expenses are both fixed and variable expenses and consist of operating costs related to our contract logistics facilities, last mile warehousing facilities, LTL service centers and European LTL network. Direct operating costs consist mainly of personnel costs, facility and equipment expenses such as rent, equipment maintenance and repair expenses, costs of materials and supplies, information technology expenses, depreciation expense, utilities and other facility related costs **and gains and losses on sales of property and equipment**.*

Source: Q3'18 10-Q, p. 25

Old Disclosure

*"Other expense (income) for the second quarter of 2018 was $(30.2) million as compared to $(12.5) million in the second quarter of 2017. Other expense (income) for the first six months of 2018 was $(49.8) million as compared to $(19.0) million in the first six months of 2017. Other expense (income) includes net periodic benefit income **and gains and losses on sales of property and equipment."***

Source: Q2'18 10-Q, p. 25

Increasing Proceeds From Asset Sales

Year	Q1'17	Q2'17	Q3'17	9M 2017	Q1'18	Q2'18	Q3'18	9M 2018
Asset Sales	$20.5	$21.7	$17.4	**$59.6**	$10.4	$51.5	$30.2	**$91.7**
YoY Growth					*-49%*	*+135%*	*+74%*	*+54%*

1) XPO explicitly says in its earnings press release: *"adjusted EBITDA is reconciled to operating income and excludes gains and losses below operating income in the Condensed Consolidated Statements of Operations"*

SPRUCE POINT CAPITAL MANAGEMENT

#2 Cash Flow And Aggressive Financial Presentation

XPO uses aggressive financial presentation methods to bolster its cash flow and leverage by including proceeds from assets sales. This is another aggressive financial presentation tactic used at Jacob's United Rentals. (1) Even worse, XPO assumed that its forward stock sale transaction would settle, while blindly ignoring counterparty risk.

Consolidated Cash Flows Provided by Operating Activities to Free Cash Flow
(in millions)

	Twelve Months Ended December 31, 2017	Twelve Months Ended December 31, 2016
Cash flows provided by operating activities	$ 798.6	$ 625.4
Payment for purchases of property and equipment	(503.8)	(483.4)
Proceeds from sales of assets	79.1	68.9
Free Cash Flow	**$ 373.9**	**$ 210.9**

Non-standard and aggressive definition. Assets sales are not guaranteed or recurring

Consolidated Net Debt to Adjusted EBITDA Ratio
(in millions)

	December 31, 2017
Total debt	$4,521.2
Less: Cash and cash equivalents	(396.9)
Less: Potential proceeds from forward sale agreements	(350.0)
Net Debt	**$3,774.3**
Adjusted EBITDA	$1,367.1
Net Debt to Adjusted EBITDA ratio	2.76

Any counterparty credit risk on those forward contracts?

Source: XPO Proxy Statement, Annex A, filed April 18, 2018

1) URI 10-K, p. 29

SPRUCE POINT
CAPITAL MANAGEMENT

#3: "Organic" Revenue Growth Does Not Equal Organic Cash Flow

XPO has abandoned its attempt at expanding organic revenue disclosure post Q1'18. Through YTD Q3'18, organic quarterly revenue growth has averaged 10.8%, yet equates to just 3.2% YTD organic operating cash flow growth.

	Q1 2018	Q2 2018	Q3 2018	YTD Quarterly Average
Reported Organic Revenue Growth	11.00%	10.90%	10.50%	10.80%

	Nine Months Ended September 30,	
(In millions)	2018	2017
Operating activities		
Net income	$ 353.4	$ 153.1
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	527.2	489.1
Stock compensation expense	64.1	50.1
Accretion of debt	11.1	14.5
Deferred tax expense (benefit)	14.3	(3.1)
Debt extinguishment loss	27.1	13.6
Unrealized (gain) loss on foreign currency option and forward contracts	(12.9)	49.9
Other	3.2	20.1
Changes in assets and liabilities:		
Accounts receivable	(262.0)	(199.8)
Other assets	(98.5)	(45.4)
Accounts payable	(4.1)	48.6
Accrued expenses and other liabilities	(86.7)	(71.2)
Net cash provided by operating activities	536.2	519.5

3.2% "Organic" Operating Cash Flow Growth

Source:Q3 2018 10-Q

Spruce Point Capital Management

Questionable Organic Revenue Growth And FX Impacts

Non-GAAP metrics such as organic growth calculations are not audited and give management significant discretion to show results in the most glowing fashion. Total non-US revenues increased 6.1% between 2016 and 2017. Yet, it reported an FX hedge loss of $57.6m in 2017 vs. a gain of $40.3m in 2016. However, XPO reports to investors virtually no impact to organic revenue from currency fluctuations.

"We believe that total organic revenue is an important measure because it excludes the impact of the following items: foreign currency exchange rate fluctuations, acquisitions and divestitures, and fuel surcharges. Specifically, our total organic revenue reflects adjustments to (i) exclude revenue from our North American truckload unit, which was sold in October 2016, (ii) exclude the estimated revenue attributable to fuel, and (iii) apply a constant foreign exchange rate to both periods (based on average rates during the monthly periods)."

Consolidated Revenue to Total Organic Revenue
(in millions)

	Twelve Months Ended December 31,	
	2017	2016
Revenue	$15,380.8	$14,619.4
North American Truckload	–	(431.9)
Fuel	(1,441.0)	(1,197.8)
Foreign Exchange Rates	(10.0)	–
Total Organic Revenue	**$13,929.8**	**$12,989.7**
Organic Revenue Growth	7.2%	

Source: XPO Proxy Statement, Annex A, filed April 18, 2018

(In millions)	Years ended December 31, 2017	2016	2015
Unrealized foreign currency option and forward contracts losses (gains)	$ 49.4	$ (39.7)	$ 1.0
Realized foreign currency option and forward contracts losses (gains)	15.0	(3.8)	—
Foreign currency transaction and remeasurement (gains) losses	(6.8)	3.2	2.4
Remeasurement loss on cash held to purchase ND	—	—	31.7
Loss on forward contract related to ND acquisition	—	—	9.7
Total foreign currency loss (gain)	$ 57.6	$ (40.3)	$ 44.8

Source: XPO 2017 10-K

Case: 2:17-cv-00719-SDM-KAJ Doc #: 234-6 Filed: 12/02/21 Page: 34 of 69 PAGEID #: 3970

Questionable Organic Revenue Growth And FX Impacts (Cont'd)

If management can't seem to get its GAAP treatment of currency hedging correctly, do you really trust its ability to accurately present Non-GAAP foreign currency results on revenues? In Q3'18, XPO reclassified foreign currency cash flow from hedge from operations to investing, which now shows historical overstatement of results.

Foreign Currency Option and Forward Contracts

"In the third quarter of 2018, the Company changed its policy related to the cash flow presentation of foreign currency option contracts as the Company believes cash receipts and payments related to economic hedges should be classified based on the nature and purpose for which those derivatives were acquired and, given that the company did not elect to apply hedge accounting to these derivatives, we believe it is preferable to reflect these cash flows as Investing activities. Previously, these cash flows were reflected within Operating activities. Net cash used by investing activities for the nine months ended September 30, 2018 includes a reclassification of $13 million of cash usage that had been reflected within Operating activities for the six months ended June 30, 2018. Prior years' impact were not material. With this change in presentation, all cash flows related to the foreign currency contracts are included in Investing activities on the Condensed Consolidated Statements of Cash Flows."

Source: XPO Q3 10-Q, p. 15

SPRUCE POINT
CAPITAL MANAGEMENT

#4: How To Inflate EPS? Obvious Signs of Aggressive Accounting Assumptions Tied To Intangibles

XPO is increasing its amortization period assumptions, which lowers expenses and boosts earnings, while at the same time reducing disclosures when its Chief Accounting Officer resigned. XPO's footnotes reveal forward expectations for amortization expense, and actual results have come in materially lower. We estimate a $0.12 - $0.14 annual benefit.

"URI [United Rentals] engaged in improper accounting practices involving its valuation of acquired assets, use of acquisition reserves, **and accounting for customer relationships**." SEC URI Complaint 2008

XPO Stretching Out Assumptions Every Year

Year	Customer Relationships	Trade Names	Non-compete Agreements	Carrier Relationships	Other Intangibles
2017	14 years	3 years	7 years	Stopped Disclosing	Stopped Disclosing
2016 (1,2)	13.4 years	2.9 years	4.6 years	Stopped Disclosing	Stopped Disclosing
2015	12.35 years	2.86 years	4.18 years	2.00 years	4.24 years
2014	10.29 years	2.21 years	6.12 years	2.00 years	4.24 years

Each Annual Report, XPO Offers Amortization Projections In Its Footnotes: Actual Results Well Below Estimates

Year	2016E	2017E	2018E	2019E
2015	$201.3	$187.4	$179.0	$172.7
2016	--	$161.0	$153.5	$147.4
2017	--	--	$160.4	$154.0
Actual Amort.	$174.4	$164.0	N/A	N/A
Dil. EPS Impact	**+$0.14**	**+$0.12**	**N/A**	**N/A**

1) XPO stopped disclosing useful life estimations on quarterly basis in Q3'16 and now only reports it on an annual basis. They also stopped giving a quarterly breakdown related to computer software and capitalized internally-developed software as follows: "Depreciation of property and equipment and amortization of computer software was $117.5 million and $56.5 million for the three-month periods ended September 30, 2016 and 2015, respectively, and $353.0 million and $98.8 million for the nine-month periods ended September 30, 2016 and 2015, respectively. The net book value of capitalized internally-developed software totaled $138.2 million and $122.8 million as of September 30, 2016 and December 31, 2015, respectively."
2) XPO's Chief Accounting Officer left Nov 2016 according to his LinkedIn biography. Chief Legal Officer resigned 2/12/17, 8-K

SPRUCE POINT CAPITAL MANAGEMENT

XPO Manipulating Tax Assumptions?

More evidence that XPO's income statement doesn't reflect true economic reality can be seen by a close examination of its income tax representations. XPO has recognized a cumulative income tax benefit of $132m since Jacob's joined, while paying $182m in actual cash taxes! We estimate the cumulative earnings benefit has been $1.55 share.

Warning From URI: *"In addition, the Company improperly accounted for other items that overstated net income, including the estimation and recording of self-insurance reserves, its recognition of equipment rental revenues, **and its income tax accounting**."*
Source: SEC URI Complaint 2008

Material Divergence Between XPO's Income Statement Taxes and Cash Taxes Paid

$ mm, except shares + per sh.	Location	2012	2013	2014	2015	2016	2017	Q1'18	Q2'18	Q3'18	Cumulative
Tax Benefit (Expense)(A)	Income St.	$11.2	$22.5	$26.1	$90.9	($22.3)	$99.5	$0.2	($54.2)	($41.0)	**+$132.9**
Cash Taxes Paid (B)	Bottom of Cash Flow St.	($0.2)	($0.2)	($2.3)	($14.5)	($40.7)	($78.5)	($3.3)	($23.2)	($19.4)	($182.3)
Difference (A + B)		$11.0	$22.3	$23.8	$76.4	($63.0)	$21.0	($3.1)	($77.4)	($60.4)	($49.4)
Impact to Dil. EPS Diluted Shares	Income St.	15.7	22.8	53.6	92.8	122.8	127.8	133.4	134.1	136.6	
per share		**$0.70**	**$0.99**	**$0.44**	**$0.92**	**($0.51)**	**($1.33)**	**($0.02)**	**($0.58)**	**($0.55)**	+$1.55

Source: XPO Financial statements

SPRUCE POINT
CAPITAL MANAGEMENT

What's XPO's Real Share Count?

In our opinion, we do not believe the market is accurately evaluating XPO's diluted share count. We conducted a forensic review, and find that XPO has vastly reduced its disclosures about the potential impact of dilutive securities, an indication that XPO may not want investors to know. We believe XPO's Series A Convertible Preferred should be considered outstanding and dilutive considering its conversion price is $7.00 per share, significantly below the current trading price.

XPO Stopped Its Detailed Disclosure of Diluted Shares Q1'16

XPO Logistics, Inc.
Consolidated Calculation of Diluted Weighted Shares Outstanding
(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Basic weighted-average common shares outstanding	109,628,094	78,825,639
Potentially Dilutive Securities:		
Shares underlying the conversion of preferred stock to common stock	10,412,145	10,476,430
Shares underlying the conversion of the convertible senior notes	3,180,806	5,171,353
Shares underlying warrants to purchase common stock	7,557,370	8,776,365
Shares underlying stock options to purchase common stock	570,684	633,392
Shares underlying restricted stock units and performance-based restricted stock units	1,607,032	1,025,632
	23,328,037	26,083,172
Diluted weighted-average common shares outstanding	132,956,131	104,908,811

Source: XPO Press Release Q1 2016

Fast Forward A Year….No Potential Impact

(In millions, except per share data)	Three Months Ended March 31, 2017	2016
Basic earnings (loss) per common share		
Net income (loss) attributable to XPO	$ 21.3	$ (22.5)
Cumulative preferred dividends	(0.7)	(0.7)
Non-cash allocation of undistributed earnings	(1.1)	—
Net income (loss) allocable to common shares, basic	$ 19.5	$ (23.2)
Basic weighted-average common shares	111.4	109.6
Basic earnings (loss) per share	$ 0.18	$ (0.21)
Diluted earnings (loss) per common share		
Net income (loss) allocable to common shares, basic	$ 19.5	$ (23.2)
Interest from Convertible Senior Notes	0.3	—
Net income (loss) allocable to common shares, diluted	$ 19.8	$ (23.2)
Basic weighted-average common shares	111.4	109.6
Dilutive effect of non-participating stock-based awards and Convertible Senior Notes	13.0	—
Diluted weighted-average common shares	124.4	109.6
Diluted earnings (loss) per share	$ 0.16	$ (0.21)
Potential common shares excluded	10.3	—

Certain shares were not included in the computation of diluted earnings per share because the effect was anti-dilutive

Source: XPO 10-Q Q1 2017

Spruce Point Capital Management

Brokers Can't Get The Share Count Correct

It's hard to value XPO correctly when the smartest guys on Wall Street have no idea what XPO's true share count is, and conveniently ignore the deep in-the-money Series A Convertible Preferred Stock.

RF Lafferty, Initiation July 2018

	2016A	2017A	2018E	2019E
Revenue	$ 14,619	$ 15,381	$ 18,303	$ 20,134
Operating Income	$ 488	$ 632	$ 879	$ 1,107
Adj. EBITDA	$ 1,248	$ 1,364	$ 1,632	$ 1,893
Net Income	$ 76	$ 326	$ 458	$ 624
EPS	$ 0.62	$ 2.55	$ 3.36	$ 4.49

Analyst's EPS implies 136.6m shares outstanding

JP Morgan, Nov 2018

Company Data	
Price ($)	86.99
Date Of Price	01 Nov 18
52-week Range ($)	116.27-68.58
Market Cap ($ mn)	11,882.83
Fiscal Year End	Dec
Shares O/S (mn)	137
Price Target ($)	130.00
Price Target End Date	31-Dec-19

Jefferies Initiation, Oct 2018

	2018E
Revenue	17,608
Operating income	840
margin (%)	*4.8*
Working capital	-261
Taxation	-125
Stock compensation + other	135
Depreciation & amortisation	690
Capex	-475
Free cash flow	**804**
change y/y (%)	*44.9*
Discounted free cash flow	741
PV projected free cash flow	8,791
Continuing value	12,896
Enterprise value	**21,687**
Net debt FY17	-4,124
Minority interest	-800
Equity value	**16,721**
Fully diluted nr of shares (m)	133.9
Equity value per share ($)	**124.9**
% upside	*9.4*

Why is this analyst using FY17 net debt which is 10 months stale, and deducting minority interest at 2x book value? Why ignoring the convertible preferred?

SPRUCE POINT CAPITAL MANAGEMENT

Aggressive Lease Usage

XPO makes aggressive use of off-balance sheet leases relative to its larger and better credit worthy peers. Companies like FedEx and UPS use operating leases for more capital intensive assets such as airplanes and related facilities, whereas XPO has none. New accounting guidance could require XPO to recognize these lease on its balance sheet next year, though it claims to still be evaluating the issue.

"In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases, including operating leases. Under the new requirements, a lessee will recognize in the balance sheet a liability to make lease payments (the lease liability) and the right-of-use asset representing the right to the underlying asset for the lease term.... The standards are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the effects these ASUs will have on its Condensed Consolidated Financial Statements and related disclosures. As of December 31, 2017, the Company reported $1,978.5 million in operating lease obligations and will evaluate those contracts, as well as other existing arrangements, to determine if they qualify for lease accounting under the new standards. The Company does not plan to adopt the standards early"

$ in mm	Company Reported Financials							As a % of Total Leases				
Company Moodys/S&P	Operating Lease	Capital Lease	Total Leases	Book Equity	Tang Assets	Sales	EBITDA	Total Assets	Tang. Assets	Book Equity	EBITDA	Sales
FedEx Corp Baa2/BBB	$18,102	$71	$18,173	$19,416	$44,448	$71,323	$7,965	35%	41%	94%	228%	25%
XPO Ba2/BB	**$1,979**	**$267**	**$2,245**	**$4,590**	**$6,883**	**$17,463**	**$1,360**	**18%**	**33%**	**49%**	**165%**	**13%**
United Parcel A1/A+	$1,637	$563	$2,200	$3,126	$40,794	$72,079	$9,811	5%	5%	70%	22%	3%
Knight Swift	$480	$159	$639	$5,396	$3,581	$5,363	$800	8%	18%	12%	80%	12%
J.B. Hunt Corp Baa1/BBB+	$92	$0	$92	$2,033	$4,722	$8,612	$1,007	2%	2%	4%	9%	1%
Schneider	$112	$9	$121	$1,993	$3,342	$4,976	$559	3%	4%	6%	22%	2%
C.H. Robinson Baa2/BBB+	$283	$0	$283	$1,518	$3,107	$16,760	$868	6%	9%	18%	33%	2%
Expeditors	$250	$0	$250	$1,893	$3,327	$8,052	$750	7%	8%	13%	33%	3%
							Average Among Peers	**11%**	**15%**	**33%**	**74%**	**8%**

Source: Company financials and Bloomberg

SPRUCE POINT CAPITAL MANAGEMENT

Do What I Say, Not What I Do…..

"If you can create a culture where people are motivated, inspired, incentivized, rewarded, to be honest with each other you can move mountains" **-CEO Brad Jacobs [Auto Logistics Conference Sept 21, 2016]**

Date	Source	Quotes About Jacobs and XPO Practices
Oct 2, 2018	Int'l Brotherhood of Teamsters	"The workers want a legally binding process to hold XPO accountable for the mistreatment," said Bill Hamilton, President of Local 107 in Philadelphia. "They are also concerned about the loss of work to subcontractors delivering goods directly to customers, known as last mile drivers."
Apr 16, 2018	International Transport Workers' Federation	"It is now clear that the problems in XPO are not limited to the American workforce. XPO Logistics is a rotten employer all over Europe, and this is a priority for unions in France, Spain, Belgium, the UK and across the EU. By standing together, we can stop the rot at XPO in Europe, and make the company change its ways in the US"
April 11, 2018	Int'l Brotherhood of Teamsters	"XPO's arrogance and repeated labor law violations has gone on for far too long. These drivers courageously took action and let the company know workers are no longer going to sit and watch the company violate their rights. We are proud of these workers and Local 769 is fully committed to fighting alongside them until justice is won at XPO," Josh Zivalich, president of Teamsters Local 769
Nov 20, 2017	Int'l Brotherhood of Teamsters	"XPO is mistreating us by refusing to come to the table more than a year after we voted to organize as Teamsters, which is completely unacceptable.."
MAY 10, 2017	Int'l Brotherhood of Teamsters	"It is time for XPO CEO Bradley Jacobs to explain to company workers why he is entitled to a huge payout while he cuts the health care and retirement benefits of workers who are making this company so successful," said Monica Abraham, a quality control inspector for XPO in North Haven, Conn. who spoke at the shareholder meeting. "Workers shouldn't be punished while Jacobs gets rich off our backs!"
June 15, 2017	Int'l Brotherhood of Teamsters	"While Jacobs received $20 million mega-equity, got approval for a $110 million stock-bonus plan and has received a 481-percent bump in pay in recent years, workers are denied affordable health care, have no retirement security and the company is stomping on their federally protected rights to form their union," said Ernie Soehl, Director of the Teamsters National Freight Division. "Workers have demanded a meeting with Jacobs, which is why Teamsters are here today, but Jacobs continues to refuse to meet over serious issues with workers."

CEO Jacob's Web of Associates Leads To Ridiculous Governance And Egregious Insider Enrichment Practices

Proprietary and Confidential –May Not Be Distributed or Copied Without Spruce Point Capital Management, LLC Consent

SPRUCE POINT
CAPITAL MANAGEMENT

A Careful Look At XPO's CEO Jacobs And His Business Associates Raises Multiple Red Flags

XPO's CEO Brad Jacobs Known Business Associates Include Two Convicted Felons, A Director Whose Firm Was Just Sanctioned By FINRA, And An Audit Committee Director With A Role Promoting A $700M+ Ponzi Scheme

Jacobs Related Company	John Milne	Michael Nolan	G.C. Andersen	Adrian Kingshott	Jason Papastavrou / Oren Shaffer	Troy Cooper	Chris Brown
United Rentals (URI)	• Founder • Chief Acquisition Officer • CFO (2003-2005)	• CFO since inception through 2002	• His firm's website says he was instrumental in the growth of United Waste Systems and United Rentals • Served on UWS Board	• Former Goldman Sachs MD during a period it did business with URI	Jason P: • Director since 2005 • Currently on the Audit Committee	• VP and Group Controller 1997-2009	• United Rentals, VP and Assistant Controller 2005-2014
United Waste Systems (UWS)	• Vice Chairman and Chief Acquisition Officer (1993-1997)	• CFO since inception				• Division Controller 1996-1997	
XPO Logistics (XPO)			• Director (2011-16)	• Audit Committee Member	• Jason P: Past Audit Committee Chair • Oren: Current Audit Committee Chair	• XPO President • COO 2014-2018 • SVP of Operations 2011-2014	• VP of Financial Reporting and Technical Accounting
Terex Corp	• Terex aided and abetted the fraudulent accounting by URI for two year-end transactions that were undertaken to allow URI to meet its earnings forecasts. These fraudulent transactions also allowed Terex to prematurely recognize revenue from its sales to URI		• Joined the Terex Board in 1992 • Lead Director: 2006-2015 • Mysteriously left the Board in 2017		• Oren: Joined the Board in 2007 and sits on the Audit Committee and Chair of the Comp Committee		
Serious Concern / Association With Financial Disaster	• Convicted Felon and architect of the URI / Terex fraud • Recently worked on private placement transactions for G.C. Andersen, and sent back to jail in April 2018 for not paying restitution despite having the capacity to pay	• Convicted Felon and co-conspirator in the URI / Terex accounting fraud	• Recently left XPO's Board during a period that coincided with an undisclosed FINRA sanction of his firm • Hired felon John Milne to work on private placement transactions, during a period that XPO was in the market	• Undisclosed involvement in the $700m+ Marc Drier Ponzi Scheme • Kingshott was an agent selling Drier's notes and court documents suggest he was aware and should have known it was a Ponzi scheme	• Jason served on the URI Board while Jacobs was Chairman • XPO says he is independent • Oren is currently 75 years old, does he have a mandatory retirement age?	• Long-time Jacobs associate who worked at defunct auditor Arthur Andersen (1991-1993)	• Xerox, Corporate Finance Manager 2002-2005 • KPMG Senior Manager, Assurance 1995-2002 • SEC Charges KPMG $22M To Settle SEC Litigation Relating To Xerox Audits from 1997-2000

SPRUCE POINT CAPITAL MANAGEMENT

United We Stand, Divided We Fall: Beware of the Company You Keep….

History does not bode well for the subsequent owners of Jacob's led M&A hype machines. Two of Jacobs colleagues from United Waste Systems and United Rentals were charged by the SEC and Justice Dept. for financial fraud. John Milne was Vice Chairman, and Chief Acquisition officer of United Rentals since its acquisition in Sept 1997. He held the same role at Jacob's United Waste Systems from 1993 to 1997. He was sentenced to prison. Michael Nolan was also charged for his role at United Rentals, where he had been the CFO since its formation. He was also the CFO of United Waste Systems from 1994-1997

	United Waste Systems	United Rentals
Jacob's Roll-up	In July 1989, Jacobs founded United Waste Systems in Greenwich, Connecticut, planning to consolidate small garbage collectors that had overlapping routes in rural areas. Jacobs served as chairman and CEO, and in 1992 he took the company public on the NASDAQ. In August 1997, after the company had made more than 200 acquisitions, Jacobs sold United Waste Systems to USA Waste Services Inc. (now known as Waste Management, Inc.) for $2.5 billion	In Sept 1997, Jacobs formed United Rentals, serving as the new company's chairman and CEO. As with United Waste, Jacobs planned to grow United Rentals through a rollup strategy, consolidating small equipment rental dealers across North America. URI went public in Dec. 1997, and began trading on the New York Stock Exchange. Jacobs stepped down from United Rentals in August 2007
Financial Outcome	see below	see below

Financial Outcome – United Waste Systems

"The Merger Agreement provides that, at the Closing, USA Waste will offer to enter into Consulting Agreements with each of Bradley S. Jacobs, John M. Milne and Michael J. Nolan" Deal Proxy

Waste Management Founder, Five Other Former Top Officers Sued for Massive Fraud

Defendants Inflated Profits by $1.7 Billion To Meet Earnings Targets;
Defendants Reap Millions in Ill-Gotten Gains While Defrauded Investors Lose More Than $6 Billion

FOR IMMEDIATE RELEASE
2002-44

Washington, D.C., March 26, 2002 — The Securities and Exchange Commission filed suit today against the founder and five other former top officers of Waste Management Inc., charging them with perpetrating a massive financial fraud lasting more than five years. The complaint, filed in U.S. District Court in Chicago, charges that defendants engaged in a systematic scheme to falsify and misrepresent Waste Management's financial results between 1992 and 1997.

Source: SEC.gov

Financial Outcome – United Rentals

SEC Charges

United Rentals, Inc. to Pay $14 Million to Settle Financial Fraud Charges

FOR IMMEDIATE RELEASE
2008-190

Washington, D.C., Sept. 8, 2008 — The Securities and Exchange Commission today charged one of the world's largest equipment rental companies, United Rentals, Inc. (URI), with engaging in fraudulent transactions to meet company earnings forecasts and analyst expectations. The SEC also charged the company with a broad range of other improper accounting practices.

Source: SEC.gov

John Milne To Jail

THE UNITED STATES ATTORNEY'S OFFICE
DISTRICT of CONNECTICUT

HOME ABOUT MEET THE U.S. ATTORNEY NEWS PROGRAMS JOBS

U.S. Attorneys » District of Connecticut » News And Press Releases

Department of Justice
U.S. Attorney's Office
District of Connecticut

SHARE

FOR IMMEDIATE RELEASE Thursday, April 5, 2018

Former Rental Company Executive Sentenced to 2 Years in Prison for Violating Supervised Release

John H. Durham, United States Attorney for the District of Connecticut, announced that JOHN N. MILNE, 58, of Westport, was sentenced today by Chief U.S. District Judge Janet C. Hall in New Haven to 24 months of imprisonment for violating the conditions of his supervised release.

According to court documents and statements made in court, on March 11, 2010, MILNE was sentenced to 27 months of imprisonment, followed by three years of supervised release, for conspiring to falsify the books and records of United Rentals, Inc. while he served as its President and Chief Financial Officer. In a resolution of a separate civil action brought by the U.S. Securities and Exchange Commission, (SEC v. John N. Milne, 3:08CV505), MILNE agreed to disgorge $6.25 million. MILNE paid $1 million to the SEC prior to his sentencing in 2010. As part of his original sentence, in lieu of a restitution order, MILNE was ordered to pay the remaining $5.25 million to the SEC as a condition of his supervised release.

Source: Justice.gov

Michael Nolan Sentenced

THE FBI FEDERAL BUREAU OF INVESTIGATION

CONTACT US | ABOUT US | MOST WANTED | NEWS | STATS

New Haven Division

Home • New Haven • Press Releases • 2010 • Former United Rentals CFO Who Made False Filings with the SEC is Sentenced

Info This is archived material from the Federal Bureau of Investigation (FBI) website. It may contain outdated information and links may no longer function.

Twitter Facebook Share

Former United Rentals CFO Who Made False Filings with the SEC is Sentenced

U.S. Attorney's Office November 02, 2010
District of Connecticut (203) 821-3700

The United States Attorney for the District of Connecticut announced that MICHAEL J. NOLAN, 49, of Raleigh, North Carolina, formerly of Greenwich, Connecticut, was sentenced today by Senior United States District Judge Ellen Bree Burns in New Haven to three years of probation for making false filings with the U.S. Securities and Exchange Commission. NOLAN also was ordered to pay restitution of more than $1 million

Source: FBI

Case: 2:17-cv-00719-SDM-KAJ Doc #: 234-6 Filed: 12/02/21 Page: 44 of 69 PAGEID #: 3980

Spruce Point Capital Management

Many United Rental Alums Have Followed Jacobs To XPO Logistics

Professional	XPO Current Position	United Rentals / United Waste Past Association
Troy Cooper	• XPO President • COO 2014-2018 • SVP of Operations 2011-2014	• United Rentals, VP and Group Controller 1997-2009 • United Waste Systems, Division Controller 1996-1997 • Arthur Andersen 1991-1993
Chris Brown	• VP of Financial Reporting and Technical Accounting	• United Rentals, VP and Assistant Controller 2005-2014 • Xerox, Corporate Finance Manager 2002-2005 • KPMG Senior Manager, Assurance 1995-2002 • SEC Charges KPMG $22M To Settle SEC Litigation Relating To Xerox Audits from 1997-2000
David Papa	• Director, Corporate Accounting	• United Rentals, Director Accounting 2007-2016 • Manager Financial Reporting and Research 2004-2007 • KPMG Senior Accountant, 1991-1994 (Stamford CT)
Lisa Reynolds	• Senior Manager, Finance Integration and Business Process	• United Rentals, Finance Manager 2006-2007 • United Rentals, Accounting Manager 2004-2006
Chris Duffell	• VP of Finance • Director FP&A 2012-2014	• United Rentals, Snr Manager 2005-2012 • United Rentals, District Controller 2005-2011

Source: LinkedIn

SPRUCE POINT CAPITAL MANAGEMENT

Chief Accounting Officer Concerns

XPO is not shy about hiring Chief Accounting Officers with a history of working at companies known for aggressive accounting practices. Both of its CAO's worked at General Electric (GE), which is currently under investigation by the SEC for accounting practices at its Power division. In addition, the current CAO worked at defamed Arthur Andersen.

Chief Accounting Officer
Lance Robinson
Sept 2015 – Present

Chief Accounting Officer

Lance Robinson is responsible for the financial strategy, risk management, external financial reporting and control systems of XPO's global accounting and financial reporting operations. He has extensive senior financial experience, including 13 years with General Electric. While with GE, he served as global controller–mergers and acquisitions and as chief accounting officer for NBC Universal, and was a member of both the Business Development Council and the Controllership Leadership Council. Earlier, he was a senior manager in the Transaction Advisory Services Group at Arthur Andersen. Mr. Robinson holds a bachelor of commerce degree from Natal University, South Africa, and an MBA degree from the Stern School of Business at New York University. He is a member of the AICPA Business Combinations Task Force, and is a certified public accountant (USA), a chartered accountant (RSA) and a chartered global management accountant.

Source: XPO website and 8-K

Chief Accounting Officer
Kent Renner
Dec 2011 – Nov 2016 (1)

BUCHANAN, Mich.--(BUSINESS WIRE)--XPO Logistics, Inc. (NYSE Amex: XPO) today announced that Kent Renner has been appointed senior vice president–chief accounting officer, effective January 5, 2012. He will be responsible for the company's external financial reporting, accounting operations, financial systems and internal controls.

Mr. Renner was most recently global controller with GE Energy Services, Inc., a $16 billion revenue division of General Electric Company. Previously, he held positions as assistant corporate controller with The Home Depot, Inc., and senior manager with PricewaterhouseCoopers.

Mr. Renner holds a master's degree in accounting from the University of North Carolina at Chapel Hill, and degrees in economics and business management from North Carolina State University. He is a certified public accountant.

Source: XPO Press Release

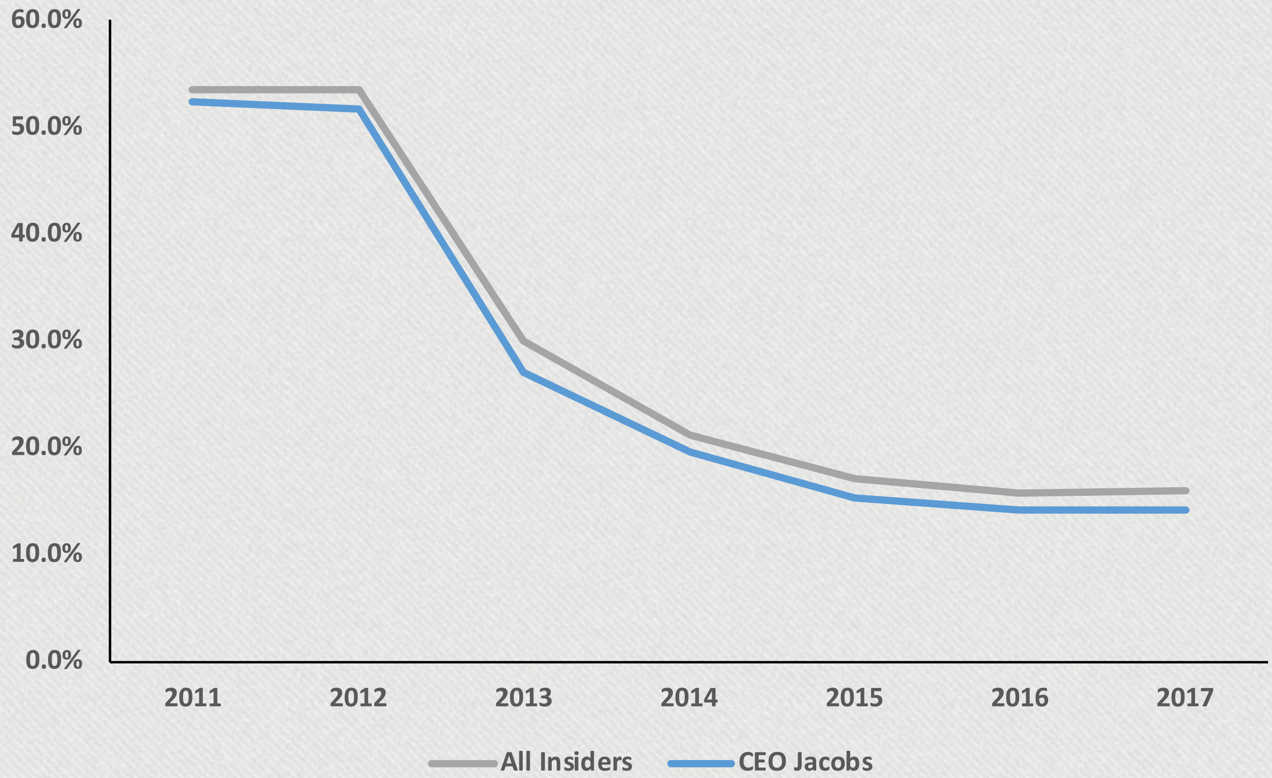
1) Renner's LinkedIn bio says he was employed at XPO until Nov 2016

SPRUCE POINT CAPITAL MANAGEMENT

Jacobs Rapidly Diluting His Stake

We are not surprised to see XPO management starting to engage in more aggressive accounting and business practices now that it has less and less at risk in the venture. On the next slide, we will show how more of Jacob's economic are tied to a non-industry standard and aggressive metric inherently open to financial engineering.

Beneficial Ownership of XPO Insiders



Source: Annual Proxy Statement

Flawed Metrics Driving Insider Enrichment Ignore Return on Capital Investment

XPO conveniently ignores return on capital as a key metric to compensate management, and has defined its own flawed and aggressive financial metrics. Each of XPO's peers consider return on capital for executive comp.

Company	Short Term Incentive	Long Term Incentive
XPO Logistics	• Adjusted EBITDA (ex divestitures) • Organic Revenue Growth • Free Cash Flow • Annual Total Shareholder Return Aggressive / flawed definitions Also evaluated and certified goal attainments associated with previously-awarded stock grants that had vesting events relevant to performance year 2017: • Adjusted Free Cash Flow Per Share • Adjusted EPS • Stock Price at $60 or above for 20 consecutive days prior to April 2, 2018 Unusual condition	The NEOs were granted PRSUs in 2016 with performance goals based on annual adjusted cash flow per share for the multi-year period from 2016 to 2019 ➢ **No Return on Capital Measure** ➢ Adjusted Cash Flow Per Share = Made-Up Non-Standard Metric = Adjusted EBITDA (determined in accordance with the company's monthly operating reports and for external reporting purposes and adjusted for the impact of stock and phantom stock compensation) less any capital expenditures and interest divided by (ii) diluted shares outstanding.
UPS	Revenue Growth Adjusted EPS Growth Avg Daily Package Volume Growth	Revenue Growth **Operating Return on Invested Capital** Relative Total Shareholder Return
Knight-Swift	Adjusted EPS and growth **Return on Net Tangible Assets**	Adjusted EPS CAGR Adjusted Trucking Operating Ratio
FedEx	Adj Operating Income, but the Committee may adjust amounts paid based on **return on invested capital**, among other criteria	Three Year Adj EPS Growth
Schneider	Revenue Growth EBIT Growth	5 year Compounded Net Income Growth **5 Year Average Return on Capital**
Ryder	Earnings Before Tax (EBT) EPS from continuing operations	50% on Total Shareholder Return **50% Adjusted Return on Capital**
JB Hunt	Operating Income Annual Revenue Growth (ex: fuel surcharges) Annual EBT Growth	Performance goals must be based on one or more criteria approved by the MIP (e.g., revenue, operating income, **return on assets**)

SPRUCE POINT
CAPITAL MANAGEMENT

Black Box, Flawed Metrics Driving Insider Enrichment (Cont'd)

In our opinion, XPO's "Adjusted Cash Flow Per Share" bonus metric is a meaningless target because it doesn't measure return on capital deployed. (1) XPO's egregious insider enrichment practices also extend to its Board approving special bonuses for completion of the ND acquisition. So in other words, management was paid for doing its job. (2)

CEO Jacobs Compensation

Year	Salary	Bonus	Stock	Option	Non-Equity	Other	Total
2011	$154,212	$162,265	$464,000	$1,111,998	--	$25,000	$1,917,475
2012	$495,000	--	$1,876,800	--	--	$2,000	$2,373,800
2013	$495,000	--	--	--	$495,000	$2,000	$992,000
2014	$495,000	--	$2,802,536	--	$585,000	$2,105	$3,884,641
2015	$495,000	--	$2,948,108	--	$2,325,000	$3,614	$5,771,722
2016	$607,000	$1,375,000	$19,999,992	--	--	$2,456	$21,984,448
2017	$625,000	--	--	--	$750,000	$9,021	$1,384,021
Total	**$3,366,212**	**$1,537,265**	**$28,091,436**	**$1,111,998**	**$4,155,000**	**$46,196**	**$38,308,107**

Source: XPO Proxy Statement

Largest component of Jacob's compensation is tied to a non-standard metric that imparts no measure of economic value creation. Even worse, XPO won't provide the exact detail of the calculation.

Year	Adj. Cash Flow / Share Target	Surpass Target According To Proxy?	Provide Exact Calculation To Investors
2016	$2.93	YES	NO
2017	$3.96	YES	NO
2018	$5.38	--	--
2019	$6.39	--	--

1) The metric is a defined as: Adjusted EBITDA (determined in accordance with the company's monthly operating reports and for external reporting purposes and adjusted for the impact of stock and phantom stock compensation) less any capital expenditures and interest divided by (ii) diluted shares outstanding.
2) Source: 8-K XPO's CFO and Chief Strategy Officer paid special bonuses for completing the ND deal

Spruce Point Capital Management

In Our Opinion, XPO's Board Lacks Relevant Industry Experience

XPO's Board lacks experienced operating executives in the transportation and logistics industry. Furthermore, we are concerned that the Board lacks experience in the exact industries that XPO says are most relevant to its business (notably: retail, ecommerce, food/beverage, technology, and aerospace) (1)

		Committee			
Director	**Work History**	**Audit**	**Acquisition**	**Nominating**	**Compensation**
Adrian Kingshott	• CEO of Adson LLC • Senior Advisor to Headwaters Bank	X	X		X
Gena Ashe	• Adtalem Global Education • Legal roles BrightView Landscapes • Catalina Marketing Corporation • Public Broadcasting Service (PBS) • Darden Restaurants, Inc. • Lucent Technologies, Inc. and AT&T			X	
AnnaMaria Desalva	• DuPont, CCO • Head of Corporate Affairs, Pfizer • Advisor to the U.S. FDA • Hill & Knowlton, healthcare • Public Affairs, Bristol-Myers Squibb				
Michael Jesselson	• CEO of Jesselson Capital since 1994 • Worked at Philipp Brothers and at its division, Salomon Brothers Inc			X	X
Jason Papastavrou	• CEO ARIS Capital Management • Co-Founder Empiric Asset Mgmt. • HF Strategies at Bank of America	X	X	X	X
Oren Shaffer	• Vice chairman and chief financial officer of (now CenturyLink) • COO of Sorrento Networks, Inc. • CFO of Ameritech Corporation • Senior executive Goodyear Tire	X			X

1) XPO's 10-K, p.3

SPRUCE POINT
CAPITAL MANAGEMENT

Undisclosed Involvement In A Ponzi Scheme By XPO Audit Committee Member: Adrian Kingshott

XPO's Kingshott materially misrepresents his role as CEO as Adson LLC and omits his role as owner of Novator Credit Advisors LLC, an entity linked to the $700m fraudulent note scheme by Marc Drier, who was sentenced to 20 years in prison.

XPOLogistics   Solutions   About Us   News   Work For Us   Drive For Us   Investors   Contact   **Login**   Change Country

HOME / CONTENT

Adrian Kingshott is the chief executive officer of AdSon LLC, and senior advisor to Headwaters Merchant Bank. Previously, with Goldman Sachs, he served as co-head of the firm's Leveraged Finance business, among other positions. More recently, Mr. Kingshott was a managing director of Amaranth Advisors, LLC. He is an adjunct professor of Global Capital Markets and Investments at Fairfield University's Dolan School of Business; and an adjunct professor of International Corporate Financial Management at Fordham University's School of Business and the Gabelli School of Business. He holds a master of business administration degree from Harvard Business School and a master of jurisprudence degree from Oxford University. Mr. Kingshott is a member of the board of directors of Centre Lane Investment Corp.

Position:
Director

Source: XPO website

According to current Connecticut records, AdSon LLC is **"dissolved"** and he is not the CEO

The Complaint alleges that certain elements of these transactions should have raised "red flags" with each of the defendants that are the subject of the Trustee's avoidance actions. The Trustee alleges the following suspicious circumstances: (1) Solow's use of outside litigation counsel, Marc Dreier, to raise capital; (2) Solow's robust financial condition at the time of the investments; (3) the comparatively high interest rates associated with the Solow Notes; (4) the "amateurish" financial statements of Solow provided to the Note investors by Dreier; (5) certain provisions of the "Term Loan Agreements" prohibiting Note investors from contacting Solow; and (6) the use of a Dreier LLP attorney trust account to complete the transaction. (*Id.* ¶ 18–27.)

Specific to the Defendants, the Complaint focuses on the relationship between the Defendants and Adrian Kingshott ("Kingshott"), a former employee of Novator Advisors, to allege that Novator knew or should have known of the fraud at the time of the transfers. (Compl. ¶ 18–27.) Kingshott, also formerly employed by Amaranth Advisors, LLC (or an affiliate thereof) ("Amaranth"), another investor in the Note fraud, dealt with Kosta Kovachev ("Kovachev"), who acted as a broker between Dreier and the defrauded hedge funds. At the time that Kovachev was attempting to broker Notes to Amaranth and Kingshott (prior to the Defendants' investment in the Note fraud), Kovachev was defending a securities fraud complaint brought by the SEC accusing Kovachev of participating in a $28 million "boiler-room" Ponzi scheme that marketed fake timeshares to the eldery. (*Id.* ¶ 30.) According to the Trustee, this information was public and available on the SEC's website during Kingshott's and Amaranth's dealings with Kovachev, and Kingshott had actual notice of the SEC's charges against Kovachev after engaging Kroll Associates to investigate Kovachev. (*Id.* ¶ 31–32.) The Trustee contends that even after having "actual knowledge" of Kovachev's involvement in a Ponzi scheme, Amaranth invested in the Note fraud. (*Id.* ¶ 32.)

8

soliciting participants in Dreier's Note fraud in return for a commission for Notes sold with 9% interest rates or higher. (*Id.* ¶ 34.) Kingshott joined Novator Advisors in March 2006, as Managing Director of Novator Advisors. (*Id.* ¶ 35.) Dreier LLP arranged for the creation of Novator Advisors, which provided investment advice to the Novator entities who received transfers from Dreier LLP. (*Id.*) Kingshott, with Dreier's approval, continued to solicit at least sixteen potential participants in the Note fraud even after joining Novator. (*Id.* ¶ 35–36.) Kingshott reviewed and approved the information packages that Dreier sent to potential investors. (*Id.* ¶ 36.) Kingshott also reviewed the confidentiality agreement that Dreier required potential investors to sign that provided that the investor

> . . . will not initiate or maintain contact with any officer, director or employee of the Company regarding the Company's business or the transaction except with the express written permission of the undersigned counsel for the Company. All communications regarding any possible Transaction or requests for information concerning the Company will be submitted or directed only to the undersigned counsel as authorized representative of the Company.

(*Id.* ¶ 37.) According to the Trustee, any reasonable investor would have found such a provision unusual and Kingshott, as Dreier's solicitor, should have found it unusual as well. (*Id.*) Finally, the Trustee asserts that Kingshott was aware of the implausible story Dreier gave many investors regarding how Dreier came to run the fraudulent note program—Dreier told investors that Solow was allowing him, as a favor, to run the program with little oversight by Solow as a way to develop clients. (*Id.* ¶ 38.) The Trustee asserts that Kingshott should have questioned the legitimacy of the proposed transaction and it is "absurd for any company in Solow's position to entrust a note program and the debt of the company, with limited operational oversight, to an attorney as a favor to help the attorney develop business." (*Id.*) The Trustee asserts that

9

Kingshott allowed Amaranth to participate in Drier's note scheme despite warning signs about an SEC charged broker Kovachev

Kingshott's biography omits his role at Novator Advisors which solicited at least 16 participants in the note fraud Ponzi Scheme. The Trustee asserts *"that Kingshott was aware of the implausible story Drier gave many investors."*

Source: US Bankruptcy Court: Drier LLP (debtor), Novator Credit Management (defendant)
"Lawyer gets 20 Years in $700 Million Fraud", NY Times, July 13, 2009
Adrian Kingshott as Sole Member owner of Novator Credit Advisors, LLC, Connecticut Business Records

SPRUCE POINT
CAPITAL MANAGEMENT

XPO's Director Hired A Convicted Felon To Work on Private Placement Transactions During A Period XPO Was Actively Issuing Private Placements…Coincidence?

Spruce Point has additional concerns about XPO's former Director G.C. Andersen, who served on the Board from 2011-2016 and claimed to be "Independent". Andersen also served on the Board of Jacob's previous venture United Waste Systems, and his website touts the firm's *"roots fed the success of companies such as United Rental, United Waste, XPO Logistics"*. (1) We uncovered a recent FINRA action in June 2018 against Andersen's firm, which revealed he hired a known convicted felon dubbed "JM" to work on private placements at the same time XPO raised over $3.6 billion through various private placement offerings. XPO would later disclose in 2016 that it evaluated "commercial transactions" with an entity Andersen was a director (presumably his own company).

"For Mr. Andersen, those relationships included ordinary course commercial transactions between our company and an entity for which Mr. Andersen is a director." Source: XPO 2016 Proxy Statement, p.18

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20160476246 03

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: G.C. Andersen Partners Capital, LLC
BD No. 44631

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, G.C. Andersen Partners Capital, LLC ("Respondent," "GC Andersen," or the "Firm") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against the Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

A. Respondent hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

GC Andersen has been a member of FINRA since 1998. The Firm employs approximately 10 registered individuals, and maintains four offices with its main office in in New York, New York. The Firm provides M&A advisory, restructuring, and capital raising advisory services.

RELEVANT DISCIPLINARY HISTORY

GC Andersen has no relevant disciplinary history with the Securities and Exchange Commission, any state securities regulator, FINRA, or any other self-regulatory organization.

OVERVIEW

From March 2014 through August 2017 (the "Relevant Period"), GC Andersen associated with JM, an individual the Firm knew to be statutorily disqualified, in violation of FINRA By-Laws Article III, Section 3(b) and FINRA Rules 8311 (for

the period from August 24, 2015 to August 2017) and 2010. Also, during the Relevant Period, GC Andersen permitted JM to engage in activities requiring registration, including investment banking activities in connection with several Firm private placements, even though he was not registered with FINRA in any capacity, in violation of NASD Membership and Registration Rules 1031 and 1032 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

In March 2014, JM began providing work for the Firm in connection with various Firm private placements. The Firm knew that JM was statutorily disqualified due to a felony conviction in 2009. Nevertheless, JM participated in the Firm's investment banking business until the Firm terminated its relationship with JM in August 2017.

Association with a Statutorily Disqualified Individual

Article III, Section 3(b) of FINRA's By-Laws prohibits member firms from associating with an individual in any capacity if that individual has been statutorily disqualified. FINRA Rule 8311, effective August 24, 2015, likewise provides that "a member shall not allow [a disqualified] person to be associated with it in any capacity that is inconsistent with the sanction imposed or disqualified status, including a clerical or ministerial capacity."

Under FINRA's By-Laws, a "person is subject to a 'disqualification' with respect to membership, or association with a member, if such person is subject to any 'statutory disqualification' as such term is defined in Section 3(a)(39) of the [Exchange] Act."[1] Among the statutorily disqualifying events in Section 3(a)(39) of the Exchange Act is any felony conviction in the prior ten years. In 2009, JM pleaded guilty to felony conspiracy. Thus, during the Relevant Period, JM was statutorily disqualified. A FINRA member may not associate with a disqualified person in any capacity unless and until approved in an eligibility proceeding triggered by the member's submission of an MC-400 Application

The FINRA By-Laws, at Article I, Section 1, define "[p]erson associated with a member" to include "a natural person engaged in the investment banking or securities business who is directly or indirectly controlling or controlled by a member…." The By-Laws define "investment banking or securities business," in relevant part, as "purchasing securities and offering the same for sale as a dealer."

JM participated in GC Andersen's investment banking business by advising on investment banking transactions, creating marketing materials, contacting potential investors, revising and distributing transaction documents, and conducting due diligence on target companies. Additionally, JM was controlled by the Firm as the Firm and its registered persons: provided JM with work

[1] FINRA By-Laws Article III, Section 4.

2

G.C. Andersen's firm employed a known felon to assist in "private placements" from 2015-2017.

XPO Private Placements During Same Time Period (March 2014 – Aug 2017) Associated With "JM"

Issue Date	Private Placement	Amount	Interest Rate
8/25/14	Snr. Notes due 2019	$500m	7.875%
2/3/15	Snr. Notes due 2019	$400m	7.875%
5/29/15	Series C Convertible Perpetual Preferred	$562m	--
6/4/15	Snr Notes due 2022	$1,600m	6.5%
6/4/15	Snr Notes due 2021	EUR 500m	5.75%
8/25/16	Snr Notes due 2023	$535	6.125%

XPO conducted no more private placements afterwards. JM's relationship was terminated with G.C. Andersen Aug '17

Source: FINRA vs. G.C. Andersen Partners Capital LLC, June 28, 2018
1) G. Chris Andersen's official biography and firm history tout his affiliations with Jacob's companies, but his XPO's bio does not

SPRUCE POINT
CAPITAL MANAGEMENT

"JM" = John Milne = Convicted Felon, Former United Rentals Executive

John Milne, former President and CFO of United Rentals, was sentenced to 27 months in prison for conspiring to falsify books and records in March 2010 and was ordered to pay financial restitution. (1) Earlier this year in April 2018, Milne was ordered back to prison for failing to paying back the money, despite the court's belief he had capacity to do so. (2) In the interim, he acted as a financial consultant on various "private placement" transactions for XPO's Director G.C. Andersen.

that challenge and I really pride myself on how we were able to re-align the role and the definition of what the accounting and financial reporting group was at United Rentals. We re-defined our team to be a partner to the field operations team, helping give them the tools to make the right decisions as a financial partner in the field, as opposed to being just a reporting entity. It was a change in definition of how we ran the business and I think it helped build a stronger business at United Rentals.

Unfortunately your tenure at United Rentals didn't end so happily. Anything you'd like to share about that?

It was an unfortunate end that came about at United Rentals. There's not too much to elaborate on, it's all public information. I think the most important thing is what we accomplished while I was there and the phenomenal growth of the business we built and more importantly how I am using that total experience to bring perspective and knowledge to my clients today.

Let's go on to the present. You are working with G.C. Andersen Partners in what capacity?

I'm an independent consultant and I do a number of different things. Some management teams I'll be working with are not looking for financing, they're not looking to sell, they're not looking to buy, they're merely dealing with the issue of getting control on their growth. They're trying to get the house in order, putting in place information systems, HR systems, proper compensation plans, etc. So often times I'll be doing management type consulting. But a lot of times those sorts of roles are leading up to a capital markets transaction.

And so when companies are looking for financing or M&A advice that involve capital markets transactions, I have a relationship that dates back many years with G.C. Andersen. When there's a transaction where I need that capital market expertise or at least my client needs that capital market expertise, I'll often introduce them to G.C. Andersen and help them work together to get the deal done.

what's my strategy, how am I going to grow and differentiate me and my company from the landscape of national and regional and small private companies that I'm competing against day to day?" That's an important thing that every private company and every owner of a private company needs to be thinking about: what is my differentiation? An owner of a company needs to be able to explain that to anyone in a two-minute conversation. Because if they can't then they can be sure that their customers don't understand it, their employees don't understand it, their bankers, the people who can provide them capital aren't understanding it, and they could be heading their business into problems by getting distracted with things that are not core to their competency and success.

I would say that with these good times that we're all experiencing in the industry, it important for everyone to take pause and really try and find this answer. If they do, then they will be able to take advantage of the strength in the industry to execute on what they do well and build an even better and stronger business.

You played a major role in the $109 million refinancing of Acme Lift. Can you tell us about that funding project?

I've known this company since the United Rentals days. At United Rentals we didn't always consider them our allies, since they often were providing big booms to small rental companies, but it's an amazing model and the team there has really built something unique. This business, with the new capital structure we helped put in place, is poised for some pretty significant growth over the next three to five years.

It was a complicated deal in that the capital markets hadn't seen this sort of rental business model before. So it was important to communicate effectively what the business did and how it differentiated itself in a sustainable business model from the rest of the rental industry. It just took a little more energy than normal to explain the nature of the business. I feel my history helped because when I was at United Rentals I had experienced Acme as both a customer and competitor. It really helped that I had seen Acme from

32 rer / february / 2015 www.rermag.com

How was Milne earning income and spending on luxury services, and why would he rather go back to jail than to pay restitution? Is there more to the story?

*"Since his release from prison in May 2012, MILNE has paid approximately $500,000 of the $5.25 million of disgorgement that was due. **Chief Judge Hall found that, based on MILNE's income and expenditures on luxury services, personal items and travel, he had the ability to pay much more. The Court had previously continued the hearing on multiple occasions to provide MILNE the opportunity to make additional disgorgement payments, but he repeatedly failed to do so**."*

Source: Rental Equipment Register, *"Capitalizing for the Future: A Q&A with United Rentals co-Founder John Milne"*, Feb 20, 2015
1) Former United Rentals President and CFO Sentenced to 27 Months in Prison for Falsifying Company Books, FBI.gov
2) Former Rental Company Executive Sentenced to 2 Years in Prison for Violating Supervised Release, Dept. of Justice

SPRUCE POINT
CAPITAL MANAGEMENT

G.C. Andersen Also A Terex Director: Terex Has A Fraudulent History With Jacobs URI

If XPO didn't work with Andersen's firm to issue private placements, then it could have business dealings with Terex, where Andersen has long served as a Director according to his biography. Terex was also charged with fraud by the SEC for its dealings with Jacob's last firm United Rentals.

"For Mr. Andersen, those relationships included ordinary course commercial transactions between our company and __an entity for which Mr. Andersen is a director__." Source: XPO 2016 Proxy Statement, p.18

*"G. Chris Andersen has served as a director of the company since September 2, 2011. Mr. Andersen is the founder and a managing partner of G.C. Andersen Partners, LLC. Previously, Mr. Andersen served as vice chairman of PaineWebber, and as head of the Investment Banking Group at Drexel Burnham Lambert Incorporated. __**Mr. Andersen is the lead director for Terex Corporation (Note: He Served On Terex's Board Since 1992)**__. He is a member of the International Advisory Council of the Guanghua School of Management at Peking University; sits on the advisory board of the RAND Corporation's Center for Asia Pacific Policy; and is a director and member of the Executive Committee of Junior Achievement of New York. Mr. Andersen holds a master's degree from the Kellogg School of Management __**and is a chartered financial analyst."**__* Source: XPO 2014 Proxy Statement

Terex Charged With Fraudulent Dealing With United Rentals (Jacob's Last Firm)

SEC Charges Terex Corporation With Accounting Fraud

FOR IMMEDIATE RELEASE
2009-183

Washington, D.C., Aug. 12, 2009 — The Securities and Exchange Commission today charged Terex Corporation, a Westport, Conn.-based heavy equipment manufacturer, with accounting fraud for making material misstatements in its own financial reports to investors, as well as aiding and abetting a fraudulent accounting scheme at United Rentals, Inc. (URI), another Connecticut-based public company.

Additional Materials

- Litigation Release No. 21177
- SEC Complaint

Terex has agreed to settle the SEC's charges and pay a penalty of $8 million. The SEC previously charged URI with fraud as well as officers of URI and Terex.

"Terex is being charged with helping United Rentals pull off a sophisticated accounting scheme," said Fredric D. Firestone, Associate Director in the SEC's Division of Enforcement. "These two public companies inflated year-end results in order to mislead investors during a period of industry recession."

Source: SEC website

A Simple CFA Search Shows No Record Of Andersen Currently Holding The CFA Title

Member Directory Results for
andersen

CFA Institute members who are CFA charterholders will have **CFA** following their name. Learn about the value of the charter.

Your search found **31** results.

Sort results by: Family Name

Name and Designation	City	State	Province	Country / Region
K. Tucker Andersen, CFA	NEW YORK	NY		USA
William R. Andersen Jr., CFA	LAKE FOREST	IL		USA
Marc Peter Andersen, CFA	CHICAGO	IL		USA
Michael Andersen, CFA	AABENRAA			DENMARK
Christine K. Andersen, CFA	CHARLOTTESVILLE	VA		USA
Eric David Andersen, CFA	LOS ANGELES	CA		USA
Niels E. Andersen, CFA	LONDON			UNITED KINGDOM
Peter C. Andersen, CFA				
Mark C. Andersen, CFA	ZIONSVILLE	IN		USA
Bryan Paul Andersen, CFA	ENGLEWOOD	CO		USA
Mark V. Andersen, CFA	LEXINGTON	MA		USA
Karen S. Andersen, CFA	CHICAGO	IL		USA
Jonathan R. Andersen, CFA	CHICAGO	IL		USA
Srisupen R. Andersen, CFA	CHICAGO	IL		USA
Jens Elton Andersen, CFA	VIRUM			DENMARK
Soren Brondum Andersen, CFA	COPENHAGEN			DENMARK
Lars Wenzell Andersen, CFA	COPENHAGEN		COPENHAGEN	DENMARK
Tiffany Andersen, CFA	SEATTLE	WA		USA
Louise Døvling Langelund Andersen, CFA	KØBENHAVN Ø			DENMARK
Henrik Per Anker Andersen, CFA, CIPM	STOCKHOLM		-SELECT-	SWEDEN

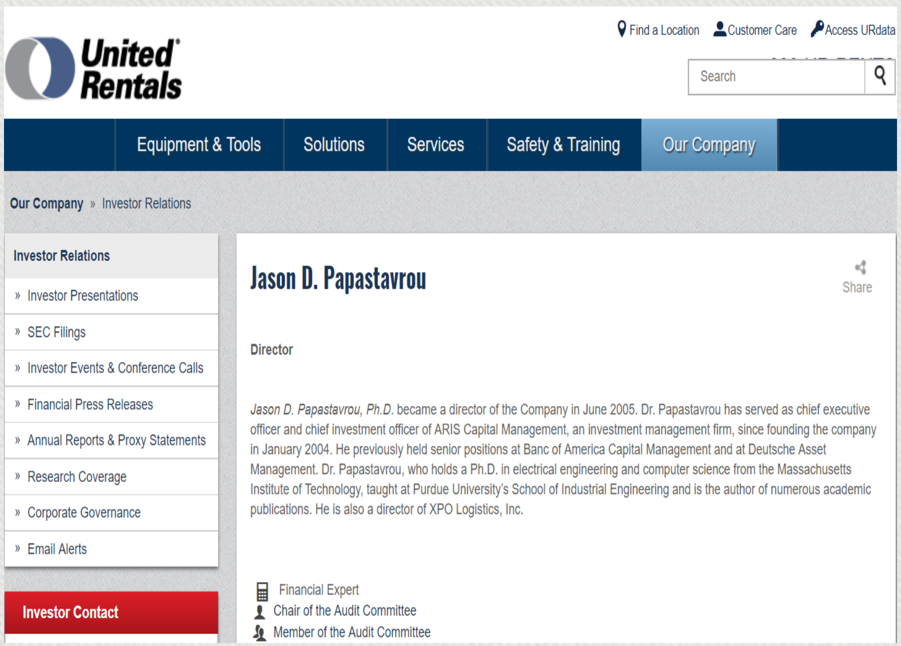
Source: CFA website

SPRUCE POINT
CAPITAL MANAGEMENT

"Independent" Audit Committee Expert Another United Rental Ally

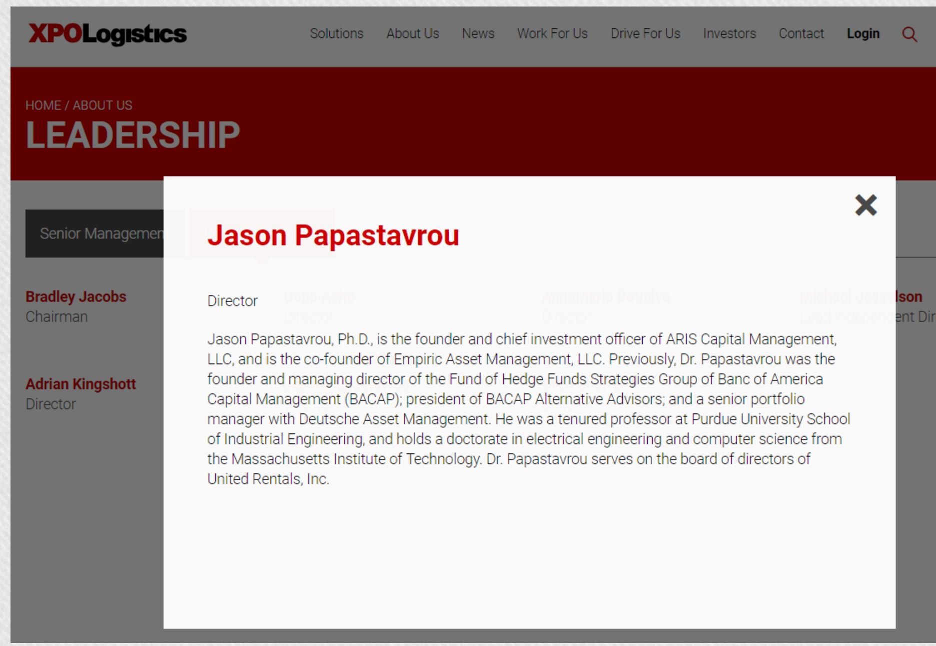
Though not implicated in the United Rentals scandal (the key elements of fraud occurred prior to his joining in 2005), it's worth considering that current XPO Audit Committee expert Jason Papastavrou also served for Jacobs at United Rentals on the Audit Committee. XPO's proxy statement calls Mr. Papastavrou "independent".

Audit Committee
Since 2005 (three years before SEC charges brought)



Source: URI website

Audit Committee Member Since 2011 Inception
(Former Chair)



Source: XPO website

SPRUCE POINT
CAPITAL MANAGEMENT

Family Ties? A Close Look At The Business Interests of The CEO's Wife

Investors should be concerned that an XPO employee is signing business filings for the candy business of its CEO's wife. Furthermore, Jacob's wife founded a company called "Liberty Cars, LLC" on November 3rd, 2017. While we don't know the exact nature of this business, or have any proof of self-dealing, we do know the formation came around the time of XPO's Q3'17 earnings, and during a period where its financials started showing strain. In addition, XPO increased its pace of asset sales in the subsequent quarters and a majority of its assets are vehicles.

Sugar and Plumm Holdings, Inc.

https://www.concord-sots.ct.gov/CONCORD/CustomerFiling?eid=8207&ducumentNumber=2127790&filingType=B

7. Principal Office in State of Formation (Foreign Corps Only):

Changes:

8. Attached hereto are the officers and directors of the corporation with their business and residence addresses.

9. Date: 06/12/2018

10. Email Address: riina.tohvert@xpo.com

XPO Legal Signing

11. I hereby certify and state, under penalties of false statement, that all of the information set forth on this annual report is true. I hereby electronically sign this report.

Print Capacity: AUTHORIZED PERSON

Signature: RIINA TOHVERT

Report Officers/Directors

Business ID : 1041327

FILING # 0006197977 PG 2 OF 2
VOL B-02547 PAGE 2924
FILED 06/12/2018 10:08 AM
SECRETARY OF THE STATE OF CONNECTICUT

1. Full Legal Name: LAMIA JACOBS
Title(s): PRES., SEC., DIR.
Residence Addr: 350 ROUND HILL ROAD GREENWICH,CT 06831

Business Addr: 350 ROUND HILL ROAD GREENWICH,CT 06831

CEO's Wife

Source: Connecticut State "Sugar & Plumm Holdings, Inc"

Liberty Cars, LLC

https://www.concord-sots.ct.gov/CONCORD/CustomerFiling?eid=8207&ducumentNumber=1869398&filingType=B

SECRETARY OF THE STATE OF CONNECTICUT

Formed when XPO under stress, asset sales increase

CERTIFICATE OF ORGANIZATION
LIMITED LIABILITY COMPANY - DOMESTIC

FILING PARTY (CONFIRMATION WILL BE SENT TO THIS ADDRESS):
Name: LIBERTY CARS, LLC
Mailing Address: 350 ROUND HILL ROAD
City: GREENWICH
State: CT Zip: 06831
Country:

FILING #0005960584 PG 1 OF 2
VOL B-02415 PAGE 2589
FILED ON 11/03/2017 12:25 PM
SECRETARY OF THE STATE OF CONNECTICUT

1. NAME OF LIMITED LIABILITY COMPANY - REQUIRED: (MUST INCLUDE BUSINESS DESIGNATION I.E. LLC, L.L.C., ETC.)
LIBERTY CARS, LLC

2. LLC'S PRINCIPAL OFFICE ADDRESS - REQUIRED: (NO P.O.BOX) PROVIDE FULL ADDRESS.
Street: 350 ROUND HILL ROAD
City: GREENWICH
State: CT Zip: 06831
Country:

3. MAILING ADDRESS, REQUIRED - PROVIDE FULL ADDRESS. (P.O.BOX IS ACCEPTABLE)
Street: 350 ROUND HILL ROAD
City: GREENWICH
State: CT Zip: 06831
Country:

4. APPOINTMENT OF REGISTERED AGENT - REQUIRED: (COMPLETE A OR B NOT BOTH)
A. IF AGENT IS AN INDIVIDUAL.
PRINT OR TYPE FULL LEGAL NAME:
LAMIA JACOBS

CT BUSINESS ADDRESS
(P. O. BOX NOT ACCEPTABLE) IF NONE, MUST STATE "NONE"
Street: 350 ROUND HILL ROAD
City: GREENWICH
State: CT Zip: 06831
Country:

CONNECTICUT RESIDENCE ADDRESS (REQUIRED)
(P. O. BOX NOT ACCEPTABLE)
Street: 350 ROUND HILL ROAD
City: GREENWICH
State: CT Zip: 06831
Country:

CONNECTICUT MAILING ADDRESS (REQUIRED)
(P. O. BOX ACCEPTABLE)
Street: 350 ROUND HILL ROAD
City: GREENWICH
State: CT Zip: 06831
Country:

Source: Connecticut State "Liberty Cars, LLC"
Note: investment made with Jacobs Private Equity email address

Valuation And Downside

Proprietary and Confidential –May Not Be Distributed or Copied Without Spruce Point Capital Management, LLC Consent

SPRUCE POINT CAPITAL MANAGEMENT

90% Implied Upside Is A Fantasy Target

Like any investment scheme, XPO needs to recruit more brokers to pump its stock to say "Buy"- but there aren't many left! There are nearly as many analysts offering price targets on XPO as FedEx and UPS which are 5-7x larger companies. Only two analysts are cautious, while a resounding majority are bullish and want investors to give XPO a premium multiple.

Analyst	Recent Action	Recommendation	Price Target
Jefferies	Recent initiation October	Buy	$145
Thompson Davis		Buy	$133
Barclays		Overweight	$130
Seaport		Buy	$130
JP Morgan		Overweight	$130
Morgan Stanley	Up from $125	Overweight	$128
RF Lafferty	Recent Initiation July	Buy	$125
Goldman Sachs	Down from $126	Buy	$124
Credit Suisse	Down from $125	Outperform	$119
Wells Fargo		Outperform	$115
Oppenheimer	Up from $122	Outperform	$114
Cowen	Down from $121	Outperform	$112
KeyBanc	Down from $115	Overweight	$110
Susquehanna	Down from $109	Positive	$108
Raymond James	Down from $110	Outperform	$100
Stifel	Upgrade to Buy, D/G price from $108	Buy	$98
Stephens	Down from $108	Equalweight	$93
Bofa/ML	Down from $108	NA	$84
Morningstar		Sell	$66
William Blair		Outperform	$--
1) Upside based on $60.33 share price. Source: Bloomberg		**Average Price Target (implied upside)**	**$114 (+89%)**

SPRUCE POINT
CAPITAL MANAGEMENT

Pumping XPO To Less Sophisticated Retail Investors

CEO Jacobs touts his ability to do a $7 - $8 billion deal that's accretive to EPS, and claims technology is its "secret sauce". Fast forward a year, and XPO hasn't acquired anything.
In Spruce Point's opinion, XPO's secret sauce is stock promotion and accounting gimmickry to embellish results.

Source: Cramer Mad Money – Sept 2017

SPRUCE POINT
CAPITAL MANAGEMENT

Many Fundamental Headwinds Will Weigh On Forward Earnings Potential

XPO's inability to deliver a game-changing acquisition in 2018 despite repeated promotions by management and brokers leaves more negative headwinds than positive tailwinds to future financial results.

Concern	Spruce Point's Assessment
Revenues	• Waning pressures on the US transportation sector and increased capacity resulting in lower pricing and margins • Synchronized slowing in global growth from trade wars and tariffs
Operating Costs	• **Labor**: XPO depends on significant hourly labor and truckers to operate its business. A general shortage of experienced truckers and labor shortages in the US is pressuring wages. Additionally, XPO has experienced work stoppages and pressure from the Teamsters Union • **Worker safety**: XPO is under investigation from the US Senate related to safety conditions for its workers. • **Bad Debts**: Appear set to increase now that XPO is finally subtlety disclosing in Q3'18 the impact • **Pension**: XPO has remarkably increased pension income every year, but with equity and fixed income returns falling precipitously around the world, return expectations should start to decline
Currencies	• XPO has significant exposure to foreign currencies, notably the Euro and the Pound ➢ 12% of revenues from the UK ➢ 26% from Rest of Europe (France 13%) • Brexit overhang is pressuring both of the currencies. GBP was +10% in 2017, now -6% in 2018; Euro was +15% in 2017 and -5% in 2018 • XPO discloses a notional $1.3bn cross-currency swap and the use of FX options • We estimate XPO hedges just 26% hedge of total Euro and GBP exposure
Interest Rates	• XPO's $4.2 billion debt load (Weighted Avg Maturity: 6yrs) will eventually be refinanced at a higher interest rate • It currently has a $700m ABL (undrawn), $1.5bn Term Loan, $365m Euro A/R securitization facility, and $52m asset financing that are floating rate and will increase interest expense as rates rise • We estimate 45% of XPO's debt outstanding is floating rate (it does not have any floating-to-fixed interest rate swaps as of 9/30/18)

Spruce Point
CAPITAL MANAGEMENT

XPO: A Collection of Acquired Junk

As we've demonstrated, XPO has extracted no value (as measured by excess cash flow) from 17 acquisitions, while its two recent large deals have saddled it with bad debts, higher pension liabilities, and moved it toward greater capital intensity businesses. We do not see how XPO can conceivably trade at a valuation higher than the sum of its acquired parts.

Ann Date	Acquisition	Enterprise Value	Revenues	EBITDA	EV / Revenues	EV/EBITDA
9/9/15	Con-way	$3,016	$5,744	$510	0.5x	5.9x
4/8/15	Norbert Dentressangle	$3,530	$5,500	$392	0.6x	9.1x
5/4/15	BTT	$100	$232	$12.4	0.4x	8.1x
2/9/15	UX Logistics	$59	$113	$8.2	0.5x	7.2x
7/29/14	New Breed	$615	$597	$77	1.0x	8.0x
7/29/14	Atlantic Central	$36.5	$63	$6.2	0.6x	5.9x
1/6/14	Pacer	$279	$980	$22.4	0.3x	12.5x
12/11/13	NLM (1)	$87	$500	$9.8	0.2x	8.9x
11/15/13	Optima Service	$27	$36	$3.7	0.8x	7.3x
7/5/13	3PD	$365	$319	--	1.1x	--
5/6/13	Interwide Logistics	$4	$28	--	0.1x	--
2/26/13	Covered Logistics	$11	$27	--	0.4x	--
2/12/13	East Coast Air	$9	$43	--	0.2x	--
10/25/12	Turbo Logistics	$50	$124	$6.9	0.4x	7.2x
10/1/12	BirdDog Logistics	$1	$7	--	0.1x	--
8/3/12	Kelron Logistics	$8	$100	$0.8	0.1x	10.0x
5/8/12	Continental Freight	$4	$22	$0.9	0.2x	4.4x
				Wtd Average:	**0.5x**	**7.4x**

Warning: The core of XPO formed around tiny acquisitions it paid virtually nothing for.

Source: XPO, Bloomberg and Spruce Point estimates. 1) Based on gross transportation spend reported

Spruce Point Capital Management

XPO Adj. EPS vs. Spruce Point Reality: Approximately 36% Overstatement

In our opinion, XPO's highly "adjusted" EPS is a combination of aggressive accounting, unsustainable pension gains, and poor practices that underpay workers and appear to cut corners on worker safety.

Line Item	XPO Consensus 2018E	Spruce Point 2018E Normalized	Comment
Operating Income (EBIT)	**$800.0**	**$800.0**	**Consensus estimate**
Less: Pension Income	--	($76.8)	Not a sustainable component of continuing earnings. XPO has clearly tried to accelerate gains from the past few years, and claimed these gains as "operating" to inflate EBITDA. Changes in market returns assumptions will drive these gains lower over time
Less: Incremental wage pressures	--	($37.5)	There is ample evidence from union, Senate inquiries and lawsuits that XPO is under-spending on wages and safety while US wage pressures increase. We conservatively estimate $625m of wages and salaries at a 6% increase to direct operating expenses
Less: Transaction, Integration, Restructuring & Rebranding costs	--	($26.7)	Recurring costs of XPO's stated acquisition strategy that it conveniently tries to have investors ignore
Less: Bad Debt Expense	--	($25.0)	It strongly appears that XPO has been delaying bad debt expenses, and just started mentioning it in Q3'18. In 2017, $24m was charged to expense, but the real amount is likely 2x based on Norbert's historical accrual
Less: Amortization Expense	--	($23.2)	XPO has consistently extended amortization periods to lower amortization expense
Less: Incremental Interest Expense	--	($1.2)	Incremental interest expense from rising interest rates applied to Term Loan
Total Spruce Point Adjustments	**--**	**($190.4)**	**Our adjustments deduced from the Street's $635.8m pre-tax income**
Pro Forma Pre-Tax Cont. Income	**$635.8**	**$445.4**	**We estimate XPO's normalized pre-tax profit is approximately -30% lower**
Less: Taxes	($192.4)	($134.8)	31% implied effective tax rate
Adjusted Net Income	**$443.4**	**$310.6**	
Diluted Shares	133.0	146.8	Analysts ignore the Series A Convertible Pfd. stock while XPO obscures the impact
Adj. Diluted EPS	**$3.33**	**$2.12**	**We estimate continuing EPS approx. -36% below the street "adjusted" estimates**

Source: XPO and Spruce Point estimates; Bloomberg consensus estimates

SPRUCE POINT
CAPITAL MANAGEMENT

XPO Adj. EPS vs. Spruce Point Reality: Approximately 47% Overstatement

In our opinion, XPO's highly "adjusted" EPS is a combination of aggressive accounting, unsustainable pension gains, and poor practices that underpay workers and appear to cut corners on worker safety.

Line Item	XPO Consensus 2018E	Spruce Point 2018E Normalized	Comment
Operating Income (EBIT)	**$800.0**	**$800.0**	**Consensus estimate**
Less: Pension Income	--	($76.8)	Not a sustainable component of continuing earnings. XPO has clearly tried to accelerate gains from the past few years, and claimed these gains as "operating" to inflate EBITDA. Changes in market returns assumptions will drive these gains lower over time
Less: Incremental wage pressures	--	($37.5)	There is ample evidence from union, Senate inquiries and lawsuits that XPO is under-spending on wages and safety while US wage pressures increase. We conservatively estimate $625m of wages and salaries at a 6% increase to direct operating expenses
Less: Transaction, Integration, Restructuring & Rebranding costs	--	($26.7)	Recurring costs of XPO's stated acquisition strategy that it conveniently tries to have investors ignore
Less: Bad Debt Expense	--	($25.0)	It strongly appears that XPO has been delaying bad debt expenses, and just started mentioning it in Q3'18. In 2017, $24m was charged to expense, but the real amount is likely 2x based on Norbert's historical accrual
Less: Amortization Expense	--	($23.2)	XPO has consistently extended amortization periods to lower amortization expense
Less: Incremental Interest Expense	--	($1.2)	Incremental interest expense from rising interest rates applied to Term Loan
Total Spruce Point Adjustments	**--**	**($190.4)**	**Our adjustments deducted from the Street's $635.8m pre-tax income**
Pro Forma Pre-Tax Cont. Income	**$635.8**	**$445.4**	**We estimate XPO's normalized pre-tax profit is approximately -30% lower**
Less: Taxes	($192.4)	($134.8)	30% implied effective tax rate
Adjusted Net Income	**$443.4**	**$258.6**	**We deduct $52m for minority interest**
Diluted Shares	133.0	146.8	Analysts ignore the Series A Convertible Pfd. stock while XPO obscures the impact
Adj. Diluted EPS	**$3.33**	**$1.76**	**We estimate continuing EPS approx. -47% below the street "adjusted" estimates**

Source: XPO and Spruce Point estimates; Bloomberg consensus estimates

SPRUCE POINT CAPITAL MANAGEMENT

XPO Adj. EBITDA Per Share vs. Spruce Point Reality: Approximately 20% Overstatement

We believe XPO's Adj. EBITDA is overstated as a result of aggressive add-backs. Furthermore, we believe XPO's true leverage is much higher as are result of $1.9 billion of operating leases that XPO could soon have to recognize on its balance sheet from ASU 2016-02 adoption on in 2019. XPO has been quiet on the topic, and has continually said it is "evaluating" the issue and that it would not early adopt the standard.

$ in mm	XPO	Spruce Point Normalized	Comment
LTM Adj. EBITDA 9/30/18	**$1,493.9**	**$1,493.9**	Assuming XPO's "Adj EBITDA" at face value
Transaction/Integration Costs	--	($45.4)	Recurring cost, part of roll-up strategy
Rebranding Costs	--	($4.4)	Recurring cost, roll-up strategy
Gains From Asset Sales	--	???	XPO reclassified to operating in Q3'18; no details
Wage and Safety Costs		($37.5)	Underspending and many lawsuits outstanding
Bad Debt Expense	--	($25.0)	XPO has been under-reporting bad debts
XPO Europe/Noncontrolling Interest	--	($33.2)	Not available to XPO, XPO incorrectly claims 100%
Distributed/Undistributed Net Income	--	($34.2)	Not available to XPO, XPO incorrectly claims 100%
Spruce Point Adj. EBITDA	**$1,493.9**	**$1,314.1**	**-12.0% lower**
Diluted shares	132.3	146.8	Incremental 10.2m shares from Pfd. conversion
Spruce Point Adj. EBITDA per share	**$11.29**	**$8.95**	**-20.7% lower**
Total Debt Outstanding	**$4,234.7**	**$4,234.7**	
Plus: Operating Leases	--	$1,978.6	Likely on balance sheet Jan 1, 2019
Less: Cash and Equivalents	($427.9)	($427.9)	
Pro Forma Net Adjusted Debt	**$3,806.8**	**$5,785.4**	
EBITDAR	--	$2,067.9	$716m of rent exp. disclosed FY17
Net Debt / Adj. EBITDA(R)	**2.5x**	**2.8x**	

Source: XPO and Spruce Point estimates

SPRUCE POINT CAPITAL MANAGEMENT

Valuation of Public Comparables

XPO Logistics has morphed from a traditional third party (asset light) logistics provider into an integrated provider of transportation and logistics services (capital intensive). As a result, we believe it should receive a lower multiple more closer to larger integrated peers such as UPS and Fedex, albeit at a valuation discount to reflect its suspect accounting and low quality management and Board, with demonstrated associations to convicted felons and a Ponzi scheme. (1) We believe 2019E estimates are too high, and XPO will fail to deliver a material acquisition as it struggles with fundamental headwinds.

Name (Ticker)	Stock Price 12/12/2018	Ent. Value	'18E-'19E Sales Growth	'18E-'19E EPS Growth	P/E 2018E	P/E 2019E	Enterprise Value EBITDA 2018E	Enterprise Value EBITDA 2019E	Enterprise Value Sales 2018E	Enterprise Value Sales 2019E	Price/ Book	Net Debt/ 18E EBITDA	Dividend Yield
Logistics													
C.H. Robinson (CHRW)	$88.58	$13,224	5.4%	8.8%	19.3x	17.8x	13.4x	12.4x	0.8x	0.7x	NM	1.1x	2.3%
Forward Air (FWRD)	$69.34	$1,736	7.3%	13.3%	23.0x	20.3x	11.1x	10.3x	1.3x	1.2x	3.8x	0.1x	1.2%
HUB Group (HUBG)	$40.19	$1,422	-1.8%	14.6%	14.4x	12.5x	7.3x	6.2x	0.3x	0.4x	1.4x	1.4x	0.0%
Echo Global (ECHO)	$21.93	$782	6.3%	3.6%	12.3x	11.9x	8.3x	7.9x	0.3x	0.3x	0.8x	2.0x	0.0%
		Max	7.3%	14.6%	23.0x	20.3x	13.4x	12.4x	1.3x	1.2x	3.8x	2.0x	2.3%
		Average	4.3%	10.1%	17.2x	15.6x	10.0x	9.2x	0.7x	0.7x	2.0x	1.1x	0.9%
Integrated		**Min**	-1.8%	3.6%	12.3x	11.9x	7.3x	6.2x	0.3x	0.3x	0.8x	0.1x	0.0%
United Parcel (UPS)	$101.70	$105,875	6.0%	7.9%	14.1x	13.0x	10.9x	9.9x	1.5x	1.4x	NM	1.9x	3.6%
Fedex Corp (FDX)	$188.76	$64,316	5.5%	15.0%	10.8x	9.4x	7.0x	6.2x	0.9x	0.9x	2.6x	1.4x	1.4%
J.B. Hunt Corp (JBHT)	$98.68	$11,835	11.4%	18.4%	18.2x	15.4x	9.4x	8.2x	1.4x	1.2x	5.3x	0.8x	1.0%
Knight Swift (KNX)	$28.66	$5,885	5.9%	14.4%	12.1x	10.6x	6.1x	5.5x	1.1x	1.0x	0.6x	0.9x	0.0%
Schneider (SNDR)	$20.30	$3,610	7.5%	14.5%	13.3x	11.7x	5.4x	4.8x	0.7x	0.7x	1.7x	0.0x	0.0%
		Max	11.4%	18.4%	18.2x	15.4x	10.9x	9.9x	1.5x	1.4x	5.3x	1.9x	3.6%
		Average	7.3%	14.0%	13.7x	12.0x	7.8x	6.9x	1.1x	1.0x	2.5x	1.0x	1.2%
Truckers		**Min**	5.5%	7.9%	10.8x	9.4x	5.4x	4.8x	0.7x	0.7x	0.6x	0.0x	0.0%
Old Dominion (ODFL)	$130.85	$10,565	8.2%	9.2%	18.2x	16.7x	10.4x	9.5x	2.6x	2.4x	4.1x	-0.1x	0.4%
SAIA, Inc (SAIA)	$55.36	$1,543	8.2%	16.7%	14.2x	12.2x	6.4x	5.6x	0.9x	0.9x	2.2x	0.5x	0.0%
ArcBest (ARCB)	$36.53	$976	5.5%	2.1%	9.6x	9.4x	4.1x	3.9x	0.3x	0.3x	1.4x	0.2x	0.9%
YRC Worldwide (YRCW)	$4.61	$851	3.3%	NM	12.5x	5.0x	2.9x	2.8x	0.2x	0.2x	NM	2.3x	0.0%
Covenant Transport (CVTI)	$20.27	$588	14.4%	19.7%	9.1x	7.6x	4.3x	3.8x	0.7x	0.6x	1.1x	1.6x	0.0%
		Max	14.4%	19.7%	18.2x	16.7x	10.4x	9.5x	2.6x	2.4x	4.1x	2.3x	0.9%
		Average	7.9%	11.9%	12.7x	10.2x	5.6x	5.1x	0.9x	0.9x	2.2x	0.9x	0.3%
		Min	3.3%	2.1%	9.1x	5.0x	2.9x	2.8x	0.2x	0.2x	1.1x	-0.1x	0.0%
XPO (Street)	**$60.33**	**$12,496**	**7.2%**	**28.0%**	**18.1x**	**14.1x**	**7.9x**	**6.9x**	**0.7x**	**0.7x**	**1.8x**	**2.4x**	**0.0%**
Spruce Pt. Adjusted		**$17,245**			**28.5x**		**9.5x**						

Shaded companies specifically mentioned as best peers for XPO's large acquisitions of Pacer Int'l and Con-Way (2)

Highest industry earnings growth rate at risk of material disappointment absent acquisition

1) Stock promoters such as JP Morgan claim XPO should trade at a premium, *"We use modestly above-peer multiples of 12.5x and 7.6x for each of XPO's respective parts in recognition of organic growth opportunities in a diverse number of large markets bolstered by high-quality management"* Nov 1, 2018
2) Pacer and Con-Way Fairness Opinions. In addition, XPO's proxy statement benchmarks itself against UPS, Fedex, CH Robinson, and Swift

SPRUCE POINT
CAPITAL MANAGEMENT

Spruce Point Estimates 40% – 60% Intermediate Downside Risk, 100% Long-Term Downside

A crisis of confidence in management and a loss of access to capital could wipe out XPO shareholders. In the interim, we see 40% to 60% downside risk as the market reassess XPO's earnings and management quality.

$ in millions, except per share amounts

Valuation	Low Multiple	High Multiple	Note
Common Sense	Six Simple Reasons XPO Is Uninvestible And A Potential Zero 1. XPO's CEO has associated with felons that perpetuated a fraud at United Rentals / Terex 2. Its Audit committee member has hidden his involvement in a $700m Ponzi scheme 3. There are striking similarities in the accounting playbook between United Rentals and XPO 4. XPO has generated virtually no free cash flow since inception and is resorting to bank overdrafts, factoring receivables, and increased asset sales to bridge its capital needs 5. XPO is now burdened with $4.2bn of debt, and entirely dependent on external capital for growth. With interest rates and overall cost of capital increasing, will banks gleefully fund XPO's grand ambitions? 6. US Senators and Teamsters already distrust XPO. How will they respond after reviewing our report?		
P/E Multiple Spruce Point Adj. 18E EPS **Price Target** % Downside (1)	**13.0x** $1.76 **$22.90** *-62%*	**16.0x** $1.76 **$28.20** *-53%*	We use our normalized estimate for earnings from continuing operations.
EV Multiple LTM 2018 EBITDA **Enterprise Value** Less: Minority Interest (2) Less: Debt At Book Value Plus: Cash and Equiv. Dil. Shares **Price Target** % Downside (1)	**6.0x** $1,314 **$7,885** ($511) ($4,235) $428 146.8 **$24.30sh** *-60%*	**7.5x** $1,314 **$9,856** ($511) ($4,235) $428 146.8 **$37.73/sh** *-38%*	XPO trades at approximately 8.7x our Adjusted EBITDA – a premium to the average multiple paid for its seventeen acquisitions of ~7.5x (a majority at peak cycle values). XPO should not trade above the sum of its parts given our belief it has not created any tangible value. ~70% of XPO's EBITDA contribution from Transportation with ~30% from Logistics. This mix is how we derive our reference multiple range

1) Downside based on $60.33/share
2) Based on 13.75% of XPO Europe's market value

Appendix: XPO's Technology Hype

Proprietary and Confidential –May Not Be Distributed or Copied Without Spruce Point Capital Management, LLC Consent

Spruce Point Capital Management

Every Competitor Touts Their Secretive "Proprietary" Technology

A XPO is just another logistics company touting its great "proprietary" technology in an attempt to bolster its valuation.

Company	Technology Claim	Source
XPO Logistics	*Our **proprietary**, cloud-based technology gives us the agility to respond to customer needs, and is a major reason why customers trust us each day with 160,000 ground shipments and more than seven billion inventory units*	Website
CH Robinson	*C.H. Robinson's **Proprietary** Single Global Technology Platform: Navisphere technology platform gives you end to end shipment visibility and connects you with all your customers and service providers—anywhere in the world where you do business—so you can manage spend, manage risk and improve efficiency*	Website
Total Quality Logistics	*TQL TRAX is a free web portal and mobile app that gives you visibility and flexibility on every truckload and LTL shipment. Accessible through TQL.com or through a free, downloadable app, TQL TRAX integrates with our **proprietary** load management software in real-time, giving you the most recent information available about your shipment wherever you want it, 24/7/365.*	Website
Hub Group	*Our **proprietary** intermodal systems allow us to provide the most efficiency, security and transparency when executing your orders.*	Website
UPS/Coyote	*Coyote uses a suite of **proprietary** information technologies that provides market-leading transportation management applications*	Website
Expeditors	*These digital services are powered through the Company's **proprietary**, cloud based operating system which enables unsurpassed visibility and control across air, ocean and ground transportation providers*	Website
Transplace	*We employ industry-leading and **proprietary** technology solutions to improve operational execution and visibility.*	Website
Echo Global Logistics	*With integrated portals and customized applications, our **proprietary** technology delivers real-time connectivity across the supply chain. Maximize your transportation spend with easy-to-use, scalable tools.*	Website

SPRUCE POINT
CAPITAL MANAGEMENT

XPO's Technology Promotion Backed By No Patent Protections

Despite having zero patents, there are signs of XPO embellishing its technology prowess with buzz words and greater use of the word "technology" in its SEC filings. Despite this, XPO can't get its IT professional count straight.

Year End	SEC 10-K Word Count "Technology"	IT Professionals	Annual Spend $mm	Adding Tech Hype Buzzwords	Patents mentioned in the 10-K
2018	--	--	--	*XPO Logistics Adds Augmented Reality to the Last Mile Experience*	**0**
2017	77	1,700	$450	*"Automation and robotics; big data"* *"We have built a highly scalable and integrated system on a cloud-based platform"* *"We have developed predictive analytics that use machine learning to forecast demand"*	**0**
2016	49	1,600	$425		**0**
2015	52	1,500 or 1,000? (1)	$400+ (Feb 16 Presentation) $225m (PF ND acquisition)		**0**
2014	64	600	$70 (May 2014)		**0**
2013	44	--	--		**0**
2012	27	--	--		**0**

1) XPO's 10-K filed Feb 29, 2016 said 1,600 but on Feb 24th just five days earlier at an investor presentation it said 1,000 professionals

SPRUCE POINT
CAPITAL MANAGEMENT

Robotics "News" To Feed The XPO Stock Promotion Machine?

XPO is trying very hard to position itself more like a technology company, when in reality it is just a trucking company and a logistics provider. It recently issued a press release that it would deploy 5,000 collaborative warehouse robots in North America. XPO was successful in generating lots of headlines with "news" associating itself with robotics…. mission accomplished!

XPO Logistics doubles down on **robots** in warehouses
Axios - Oct 3, 2018
XPO Logistics says these **robots** will reduce an employee's walking time in the warehouse and eliminate heavy lifting. Photo: **XPO** Logistics.

XPO to deploy 5000 GreyOrange **robots** for e-commerce fulfillment
DC Velocity - Oct 3, 2018

XPO to deploy 5000 **robots** in its warehouses
Air Cargo News - Oct 3, 2018

XPO's largest **robotic** deployment to date will bring 5000 units to its ...
FreightWaves - Oct 3, 2018

XPO Logistics to Deploy 5000 Collaborative Warehouse **Robots** in ...
PostBulletin.com - Oct 3, 2018

From Reindeer to **Robots**, Automation Set to Deliver This Holiday ...
In-Depth - Wall Street Journal - Oct 3, 2018

Source: Google and XPO